
A BILL FOR AN ACT

RELATING TO MEDICAL DEBT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that medical debt has
2 become a widespread issue in the State. According to a 2022
3 report from the Peterson-KFF Health System Tracker, more than
4 one in twenty adults in the State have outstanding medical debt
5 on their credit report. In states and cities that have acquired
6 and forgiven unpaid medical debt, most of the forgiven debt was
7 owed by those with health insurance, further suggesting that
8 despite many families in the State having health insurance
9 coverage, inability to pay medical debt is a serious problem.

10 The legislature further finds that medical debt is a social
11 determinant of health as patients with burdensome medical debt
12 often delay the care they need, may experience issues obtaining
13 employment and housing, have difficulty escaping poverty, and
14 experience increased mental stress. Due to a rising cost of
15 living and a health care system built on a for-profit model,
16 many families are never able to repay medical debt.



1 The legislature recognizes that due to the significant
2 amount of outstanding debt owed to hospitals and other health
3 care providers, a secondary market has emerged in which
4 commercial debt buyers purchase outstanding and dormant debt
5 owed to health care providers and take aggressive action to
6 collect from families who find themselves unable to pay, further
7 exacerbating the severity of the medical debt crisis.

8 However, the legislature further finds that twenty-seven
9 states and cities in the United States have partnered with a
10 nonprofit organization that has successfully purchased billions
11 of dollars in medical debt from health care providers and
12 collection agencies for about 0.01 per cent of the overall cost
13 and abolished the respective patients' debts altogether. Health
14 care providers whose debt is sold to third parties for
15 abolishment can equally benefit by receiving revenue for dormant
16 patient accounts, while mitigating the effects of social
17 determinants of health and enhancing community well-being.

18 The legislature finds that a medical debt consolidation and
19 cancellation non-profit organization has already acquired the
20 unpaid medical debt of 50,016 State residents, totaling
21 \$91,310,664 dollars. This includes 39,401 individuals on Oahu,



1 6,654 individuals on Hawaii Island, 3,597 individuals on Maui,
2 Molokai, and Lanai, and three hundred sixteen individuals on
3 Kauai.

4 Accordingly, the purpose of this Act is to require and
5 appropriate funds for the office of wellness and resilience to
6 develop, implement, and administer a medical debt acquisition
7 and forgiveness program to acquire and forgive outstanding
8 medical debt for certain individuals in the State, subject to
9 the availability of program funds, beginning with the medical
10 debt of the 50,016 Hawaii residents that has already been
11 acquired by the medical debt collection and cancellation
12 organization.

13 SECTION 2. Chapter 346, Hawaii Revised Statutes, is
14 amended by adding a new section to part XXI to be appropriately
15 designated and to read as follows:

16 **"§346- Medical debt acquisition and forgiveness**
17 **program.** (a) The office shall develop, implement, and
18 administer a medical debt acquisition and forgiveness program to
19 acquire and forgive outstanding medical debt for individuals in
20 the State pursuant to this section, subject to the availability



1 of program funds for contracts with organizations that
2 administer medical debt acquisition and forgiveness.

3 (b) The program shall:

4 (1) Acquire and satisfy or discharge the medical debt of:

5 (A) Individuals with a household income less than or
6 equal to four hundred per cent of the federal
7 poverty level for the State; and

8 (B) Individuals with an adjusted gross income of less
9 than \$100,000 who have a medical debt balance of
10 no less than five per cent of their household
11 income; and

12 (2) Ensure that any specific personally identifiable
13 information or protected health information is
14 collected in compliance with applicable state and
15 federal laws, regulations and rules, and is used only
16 for the purposes of acquiring and satisfying or
17 discharging medical debt, or providing financial
18 education, insurance enrollment assistance, preventive
19 measures, or similar support services.

20 (c) The office shall procure and contract with an entity
21 in accordance with chapter 103D or 103F, as applicable, that is



1 currently holding medical debt of State residents and has
2 demonstrated experience and success partnering with hospitals
3 and health systems in acquiring and satisfying or discharging
4 outstanding medical debt on behalf of state and municipal
5 governments.

6 (d) The office may receive appropriations from the
7 legislature, private funds, or federal funds for the purpose of
8 acquiring and satisfying or discharging outstanding medical debt
9 pursuant to this section.

10 (e) The office shall submit a report of its findings and
11 recommendations, including any proposed legislation, for the
12 medical debt acquisition and forgiveness program, to the
13 legislature no later than twenty days prior to the convening of
14 each regular session. Each report shall include:

15 (1) The office's progress in developing, implementing, and
16 administering the medical debt acquisition and
17 forgiveness program; and

18 (2) An analysis of actions taken by other states in the
19 preceding year that are reasonably related to the
20 cancellation of medical debt, including prohibiting
21 medical debt from appearing on credit reports."



1 SECTION 3. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$ or so
3 much thereof as may be necessary for fiscal year 2026-2027 for
4 the office of wellness and resilience to develop, implement, and
5 administer the medical debt acquisition and forgiveness program
6 established pursuant to section 2 of this Act to acquire and
7 satisfy or discharge outstanding medical debt for certain
8 individuals in the State, beginning with the debt that has
9 already been acquired by medical debt collection and
10 cancellation organizations.

11 The sum appropriated shall be expended by the office of
12 wellness and resilience for the purposes of this Act.

13 SECTION 4. New statutory material is underscored.

14 SECTION 5. This Act shall take effect on January 30, 2050.



Report Title:

Office of Wellness and Resilience; Medical Debt Acquisition and Forgiveness Program; Reports; Appropriation

Description:

Requires the Office of Wellness and Resilience to develop, implement, and administer a Medical Debt Acquisition and Forgiveness Program to acquire and forgive outstanding medical debt for certain individuals in the State, subject to the availability of program funds, beginning with the medical debt that has already been acquired by medical debt and consolidation organizations. Requires annual reports to the Legislature. Appropriates funds. Effective 1/30/2050. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

