
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 residents of the State, totaling
21 \$91,310,664. This includes 39,401 individuals on Oahu, 6,654



1 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 authorize the
5 office of wellness and resilience to develop, implement, and
6 oversee the administration of a medical debt acquisition and
7 forgiveness program to acquire and forgive outstanding medical
8 debt for certain Hawaii residents, subject to the availability
9 of program funds.

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

13 "§346- Medical debt acquisition and forgiveness
14 program. (a) The office may develop, implement, and administer
15 a medical debt acquisition and forgiveness program to acquire
16 and forgive outstanding medical debt for residents of the State,
17 subject to the availability of program funds for contracts with
18 organizations that administer medical debt acquisition and
19 forgiveness.

20 (b) The program shall:



- 1 (1) Acquire and forgive the medical debt of individuals
2 who are residents of the State:
- 3 (A) With a household income less than or equal to
4 four hundred per cent of the federal poverty
5 level for the State; and
- 6 (B) With an adjusted gross income of less than
7 \$100,000 who have a medical debt balance of no
8 less than five per cent of their household
9 income; and
- 10 (2) Ensure that any specific personally identifiable
11 information or protected health information is
12 collected in compliance with applicable federal and
13 state laws, regulations, and rules, and is used only
14 for the purposes of acquiring and satisfying or
15 discharging medical debt, or providing financial
16 education, insurance enrollment assistance, preventive
17 measures, or similar support services. Information
18 collected subject to this paragraph shall be
19 confidential and not disclosed under chapter 92F
20 without the consent of the individual or as otherwise
21 provided by law.



1 (c) The office may procure and contract with entities in
2 accordance with chapter 103D or 103F, for the purposes of
3 developing, implementing, and administering the medical debt
4 acquisition and forgiveness program.

5 (d) Any acquisition and forgiveness of medical debt under
6 the program shall be deemed fully forgiven upon payment of an
7 amount of no greater than 0.10 per cent of the overall medical
8 debt of each individual.

9 (e) The office may receive appropriations from the
10 legislature, private funds, or federal funds for the purpose of
11 acquiring and forgiving outstanding medical debt pursuant to
12 this section."

13 SECTION 3. The office shall submit a report of its
14 progress in developing, implementing, and administering the
15 medical debt acquisition and forgiveness program, including any
16 proposed legislation, to the legislature no later than twenty
17 days prior to the convening of the regular session of 2027.

18 SECTION 4. There is appropriated out of the general
19 revenues of the State of Hawaii the sum of \$ or so
20 much thereof as may be necessary for fiscal year 2026-2027 for
21 the office of wellness and resilience to develop, implement, and



1 administer the medical debt acquisition and forgiveness program
2 established pursuant to section 2 of this Act to acquire and
3 forgive outstanding medical debt for certain individuals who are
4 residents of the State; provided that no funds shall be expended
5 unless matched on a dollar-for-dollar basis by funds from a
6 private source.

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

9 SECTION 5. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on July 1, 3000.



Report Title:

Office of Wellness and Resilience; Medical Debt Acquisition and Forgiveness Program; Report; 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 residents of the State, subject to the availability of program funds. Requires a report to the Legislature before the Regular Session of 2027. Appropriates funds subject to a matching private funds requirement. Effective 7/1/3000. (HD2)

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