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# 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 316 individuals on Kauai.

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

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

14 "§346- Medical debt acquisition and forgiveness  
15 program. (a) The office shall develop, implement, and  
16 administer a medical debt acquisition and forgiveness program to  
17 acquire and forgive outstanding medical debt for individuals in  
18 the State pursuant to this section.

19 (b) The program shall:

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



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

4           (B) Individuals with an adjusted gross income of less  
5           than \$100,000 who have a medical debt balance of  
6           no less than five per cent of their household  
7           income; and

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

16           (c) The office shall procure and contract with an entity  
17           in accordance with chapter 103D or 103F, as applicable, that is  
18           currently holding medical debt of State residents and has  
19           demonstrated experience and success partnering with hospitals  
20           and health systems in acquiring and satisfying or discharging



1 outstanding medical debt on behalf of state and municipal  
2 governments.

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

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

12 (1) The office's progress in developing, implementing, and  
13 administering the medical debt acquisition and  
14 forgiveness program; and

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

19 SECTION 3. There is appropriated out of the general  
20 revenues of the State of Hawaii the sum of \$                    or so  
21 much thereof as may be necessary for fiscal year 2026-2027 for



1 the office of wellness and resilience to develop, implement, and  
2 administer the medical debt acquisition and forgiveness program  
3 established pursuant to section 2 of this Act to acquire and  
4 satisfy or discharge outstanding medical debt for certain  
5 individuals in the State, beginning with the debt that has been  
6 acquired by medical debt collection and cancellation  
7 organizations.

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

10 SECTION 4. New statutory material is underscored.

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



**Report Title:**

OWR; 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 beginning with the medical debt of the 50,016 Hawaii residents that has already been acquired by medical debt and consolidation organizations. Requires reports to the Legislature. Appropriates moneys. Effective 1/30/2050. (SD2)

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

