

S.27

Introduced by Senators Lyons, Baruth, Beck, Bongartz, Brennan, Chittenden,
Clarkson, Collamore, Cummings, Gulick, Hardy, Harrison,
Hart, Hashim, Major, Norris, Plunkett, Ram Hinsdale,
Vyhovsky, Watson, Westman and White

Referred to Committee on Health and Welfare

Date: January 29, 2025

Subject: Health; consumer protection; credit reporting; medical debt

Statement of purpose of bill as introduced: This bill proposes to direct the
State Treasurer to contract with an entity to acquire and abolish certain
medical debts for Vermonters with incomes at or below 400 percent of the
federal poverty level or who owe medical debt equal to five percent or more of
their household income. The bill would also prohibit credit reporting agencies
from reporting or maintaining information on Vermonters' medical debt and
would prohibit health care providers from reporting medical debt to credit
reporting agencies.

An act relating to medical debt relief and excluding medical debt from
credit reports

1 It is hereby enacted by the General Assembly of the State of Vermont:

2 ~~Sec. 1. STATE TREASURER; MEDICAL DEBT RELIEF;~~

3 APPROPRIATION

4 (a) The sum of \$1,000,000.00 is appropriated to the State Treasurer from
5 the General Fund in fiscal year 2026 for the purpose of contracting with a
6 nonprofit entity to acquire and repay certain medical debts incurred by
7 Vermont residents as set forth in this section.

8 (b) The State Treasurer shall ensure that the entity with which the
9 Treasurer contracts under this section will:

10 (1) purchase the medical debt of eligible debtors from health care
11 providers at fair market value;

12 (2) abolish the debt with no cost or tax consequences for the debtor; and

13 (3) coordinate with the health care provider or collections agency to
14 ensure that any adverse information resulting from the medical debt is
15 removed from the debtor's consumer credit report following the contractor's
16 purchase and abolition of the debt.

17 (c) In order to be eligible for repayment of medical debt under this section,
18 the following conditions must be met:

19 (1) the debtor shall be a Vermont resident who either has a household
20 income that is at or below 400 percent of the federal poverty level for the

1 ~~applicable household size or who owes medical debt in an amount that is five~~
2 percent or more of the debtor's household income; and

3 (2) the debtor's patient account still maintains an outstanding balance
4 even after the health care provider has completed its routine efforts to collect
5 the amounts due.

6 Sec. 2. 2022 Acts and Resolves No. 83, Sec. 53(b)(5)(B), as amended by 2022
7 Acts and Resolves No. 185, Sec. C.102 and 2023 Acts and Resolves No. 78,
8 Sec. E.1000, is further amended to read:

9 (B) ~~\$20,000,000~~ \$19,000,000 shall be appropriated to the State
10 Treasurer's Office and used for redeeming State of Vermont general obligation
11 bonds prior to maturity.

12 ~~Sec. 3. 9 V.S.A. § 2466d is added to read:~~

13 § 2466d. REPORTING OF MEDICAL DEBT INFORMATION

14 PROHIBITED

15 A credit reporting agency shall not report or maintain in the file on a
16 consumer information relating to a medical debt, as defined in 18 V.S.A.

17 § 9481.

Sec. 3. 9 V.S.A. § 2466d is added to read:

§ 2466d. REPORTING OF MEDICAL DEBT INFORMATION
PROHIBITED

(a) A credit reporting agency shall not report or maintain in the file on a
consumer information relating to a medical debt.

(b) As used in this section,

(1) "Health care services" means services for the diagnosis, prevention, treatment, cure, or relief of a physical, dental, behavioral, or mental health condition or substance use disorder, including counseling, procedures, products, devices, and medications.

(2) "Medical debt" means debt arising from health care services, including dental services, or from health care goods, including products, devices, durable medical equipment, and prescription drugs. "Medical debt" does not include debt arising from services provided by a veterinarian; debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered solely for the payment of health care services; debt charged to a home equity or general-purpose line of credit; or secured debt.

Sec. 4. 9 V.S.A. § 2480b is amended to read:

§ 2480b. DISCLOSURES TO CONSUMERS

* * *

(c) Any time a credit reporting agency is required to make a written disclosure to consumers pursuant to 15 U.S.C. § 1681g, it shall disclose, in at least 12-point type, and in bold type as indicated, the following notice:

"NOTICE TO VERMONT CONSUMERS

* * *

(2) Under Vermont law, no one may access your credit report without your permission except under the following limited circumstances:

* * *

(F) where the request for a credit report is related to a credit transaction entered into prior to January 1, 1993, or

1 ~~(C) where the request for a credit report is by the Vermont~~
2 Department of Taxes and is used for the purpose of collecting or investigating
3 delinquent taxes; or

4 (H) where the request for a credit report is by an organization that is
5 exempt from taxation under Section 501(c)(3) of the Internal Revenue Code
6 for the purpose of determining eligibility for the abolition of medical debt.

7 * * *

8 Sec. 5. 9 V.S.A. § 2480g is amended to read:

9 § 2480g. EXEMPTIONS

10 * * *

11 (e) The provisions of section 2480e of this title shall not apply to an
12 organization that is exempt from taxation under Section 501(c)(3) of the
13 Internal Revenue Code when determining eligibility for the abolition of
14 medical debt.

15 Sec. 6. 18 V.S.A. chapter 221, subchapter 10 is amended to read:

16 Subchapter 10. Patient Financial Assistance and Medical Debt

17 * * *

18 § 9485. PROHIBITION ON SALE OR REPORTING OF MEDICAL DEBT

19 (a)(1) No large health care facility shall sell its medical debt except as
20 provided in subdivision (2) of this subsection.

~~(2) A large health care facility may sell or otherwise transfer its medical debt to an organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code for the specific purpose of the tax-exempt organization abolishing the medical debt of one or more patients by cancellation of the indebtedness.~~

~~(b) No large health care facility or medical debt collector shall report or otherwise furnish any portion of a medical debt to a credit reporting agency.~~

~~* * *~~

Sec. 7. EFFECTIVE DATE

~~This act shall take effect on July 1, 2025.~~

*Sec. 1. STATE TREASURER; MEDICAL DEBT RELIEF;
APPROPRIATION*

(a) The sum of \$1,000,000.00 is appropriated to the State Treasurer from the General Fund in fiscal year 2026 for the purpose of contracting with a nonprofit entity to acquire and repay certain medical debts incurred by Vermont residents as set forth in this section.

(b) The State Treasurer shall ensure that the entity with which the Treasurer contracts under this section will:

(1) purchase the medical debt of eligible debtors from health care providers at fair market value;

(2) abolish the debt with no cost or tax consequences for the debtor;

(3) coordinate with the health care provider or collections agency to ensure that any adverse information resulting from the medical debt is removed from the debtor's consumer credit report following the contractor's purchase and abolition of the debt; and

(4) notify each individual whose medical debt was abolished pursuant to this section:

(A) the amount of the individual's medical debt that was abolished and the name of the health care provider or providers from whom the entity purchased the individual's debt;

(B) the estimated percentage of the federal poverty level that corresponds to the individual's household income; and

(C) that financial assistance policies are available at all Vermont hospitals in accordance with 18 V.S.A. § 9482, including the following minimum discounts:

(i) a 100 percent discount for individuals with household income at or below 250 percent of the federal poverty level; and

(ii) at least a 40 percent discount for individuals with household income between 250 and 400 percent of the federal poverty level.

(c) In order to be eligible for repayment of medical debt under this section, the following conditions must be met:

(1) the debtor shall be a Vermont resident who either has a household income that is at or below 400 percent of the federal poverty level for the applicable household size or who owes medical debt in an amount that is five percent or more of the debtor's household income; and

(2) the debtor's patient account still maintains an outstanding balance even after the health care provider has completed its routine efforts to collect the amounts due.

~~Sec. 2. 2022 Acts and Resolves No. 83, Sec. 53(b)(5)(B), as amended by 2022 Acts and Resolves No. 185, Sec. C.102 and 2023 Acts and Resolves No. 78, Sec. E.1000, is further amended to read:~~

~~(B) \$20,000,000 \$19,000,000 shall be appropriated to the State Treasurer's Office and used for redeeming State of Vermont general obligation bonds prior to maturity.~~

Sec. 2. [Deleted.]

Sec. 3. 1 V.S.A. § 151 is added to read:

§ 151. BEHAVIORAL HEALTH

"Behavioral health" means any behavioral condition bearing on health, including stress-linked physical symptoms, patient activation, and health behaviors that can be addressed through support, counseling, change techniques, coaching, and other interventions. As used in the Vermont Statutes Annotated, the term does not include mental health conditions or substance use disorders. The General Assembly recognizes that using the term

“behavioral health” to describe mental health conditions or substance use disorders has a stigmatizing impact, which may deter individuals from seeking health care for those conditions, but also recognizes that some jurisdictions interpret the term to incorporate those conditions and that therefore it may be necessary under limited circumstances to include the term in the definition of health care services for the sole reason of avoiding any question about the intended scope of a specific statute.

Sec. 4. 9 V.S.A. § 2466d is added to read:

§ 2466d. REPORTING OF MEDICAL DEBT INFORMATION
PROHIBITED

(a) A credit reporting agency shall not report or maintain in the file on a consumer information relating to a medical debt.

(b) As used in this section:

(1) “Health care services” means all supplies, care, and services of a medical, dental, behavioral health, mental health, substance use disorder treatment, surgical, psychiatric, therapeutic, diagnostic, preventative, rehabilitative, or supportive nature, including medication.

(2) “Medical debt” means debt arising from health care services, including dental services, or from health care goods, including products, devices, durable medical equipment, and prescription drugs. “Medical debt” does not include debt arising from services provided by a veterinarian; debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered solely for the payment of health care services; debt charged to a home equity or general-purpose line of credit; or secured debt.

Sec. 5. 9 V.S.A. § 2480b is amended to read:

§ 2480b. DISCLOSURES TO CONSUMERS

* * *

(c) Any time a credit reporting agency is required to make a written disclosure to consumers pursuant to 15 U.S.C. § 1681g, it shall disclose, in at least 12-point type, and in bold type as indicated, the following notice:

“NOTICE TO VERMONT CONSUMERS

* * *

(2) Under Vermont law, no one may access your credit report without your permission except under the following limited circumstances:

* * *

(F) where the request for a credit report is related to a credit transaction entered into prior to January 1, 1993; or

(G) where the request for a credit report is by the Vermont Department of Taxes and is used for the purpose of collecting or investigating delinquent taxes; or

(H) where the request for a credit report is by an organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code for the purpose of determining eligibility for the abolition of medical debt.

* * *

Sec. 6. 9 V.S.A. § 2480g is amended to read:

§ 2480g. EXEMPTIONS

* * *

(e) The provisions of section 2480e of this title shall not apply to an organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code when determining eligibility for the abolition of medical debt; provided, however, that the exemption from the provisions of section 2480e of this title shall not apply to a tax-exempt organization that is a large health care facility, as defined in 18 V.S.A. § 9481.

Sec. 7. 18 V.S.A. chapter 221, subchapter 10 is amended to read:

Subchapter 10. Patient Financial Assistance and Medical Debt

* * *

§ 9485. PROHIBITION ON SALE OR REPORTING OF MEDICAL DEBT

(a)(1) No large health care facility shall sell its medical debt except as provided in subdivision (2) of this subsection.

(2) A large health care facility may sell or otherwise transfer its medical debt to an organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code for the specific purpose of the tax-exempt organization abolishing the medical debt of one or more patients by cancellation of the indebtedness.

(b) No large health care facility or medical debt collector shall report or otherwise furnish any portion of a medical debt to a credit reporting agency.

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Sec. 8. EFFECTIVE DATE

This act shall take effect on July 1, 2025.