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S.27

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

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

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; and

(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.

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

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

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

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

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

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

15 § 2466d. REPORTING OF MEDICAL DEBT INFORMATION

16 PROHIBITED

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

19 (b) As used in this section:

20 (1) "Health care services" means services for the diagnosis, prevention,
21 treatment, cure, or relief of a physical, dental, behavioral, or mental health

1 condition or substance use disorder, including counseling, procedures,
2 products, devices, and medications.

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

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

12 § 2480b. DISCLOSURES TO CONSUMERS

13 * * *

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

17 “NOTICE TO VERMONT CONSUMERS

18 * * *

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

21 * * *

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

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

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

9 * * *

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

11 § 2480g. EXEMPTIONS

12 * * *

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

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

18 Subchapter 10. Patient Financial Assistance and Medical Debt

19 * * *

20 § 9485. PROHIBITION ON SALE OR REPORTING OF MEDICAL DEBT

