

1

S.27

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

4 The House proposes to the Senate to amend the bill by striking out all after

5 the enacting clause and inserting in lieu thereof the following:

6 Sec. 1. STATE TREASURER; MEDICAL DEBT RELIEF;

7 APPROPRIATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 § 151. BEHAVIORAL HEALTH

12 “Behavioral health” means any behavioral condition bearing on health,
13 including stress-linked physical symptoms, patient activation, and health
14 behaviors that can be addressed through support, counseling, change
15 techniques, coaching, and other interventions. As used in the Vermont Statutes
16 Annotated, the term does not include mental health conditions or substance use
17 disorders. The General Assembly recognizes that using the term “behavioral
18 health” to describe mental health conditions or substance use disorders has a
19 stigmatizing impact, which may deter individuals from seeking health care for
20 those conditions, but also recognizes that some jurisdictions interpret the term
21 to incorporate those conditions and that therefore it may be necessary under

1 limited circumstances to include the term in the definition of health care
2 services for the sole reason of avoiding any question about the intended scope
3 of a specific statute.

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

5 § 2466d. REPORTING OF MEDICAL DEBT INFORMATION

6 PROHIBITED

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

9 (b) As used in this section:

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

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

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

2 § 2480b. DISCLOSURES TO CONSUMERS

3 * * *

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

7 “NOTICE TO VERMONT CONSUMERS

8 * * *

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

11 * * *

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

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

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

20 * * *

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

2 § 2480g. EXEMPTIONS

3 * * *

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

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

11 Subchapter 10. Patient Financial Assistance and Medical Debt

12 * * *

13 § 9485. PROHIBITION ON SALE OR REPORTING OF MEDICAL DEBT

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

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

