

1 S.27

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

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

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

6 APPROPRIATION

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

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

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

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

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

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

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

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

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

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

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

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

16 (1) the debtor shall be a Vermont resident who either has a household
17 income that is at or below 400 percent of the federal poverty level for the
18 applicable household size or who owes medical debt in an amount that is five
19 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**
16 **Statutes Annotated, the term does not include mental health conditions or**
17 **substance use disorders. The General Assembly recognizes that using the**
18 **term "behavioral health" to describe mental health conditions or**
19 **substance use disorders has a stigmatizing impact, which may deter**
20 **individuals from seeking health care for those conditions, but also**
21 **recognizes that some jurisdictions interpret the term to incorporate those**

1 conditions and that therefore it may be necessary under limited
2 circumstances to include the term in the definition of health care services
3 for the sole reason of avoiding any question about the intended scope of a
4 specific statute.

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

6 § 2466d. REPORTING OF MEDICAL DEBT INFORMATION

7 PROHIBITED

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

10 (b) As used in this section:

11 (1) "Health care services" means services for the diagnosis, prevention,
12 treatment, cure, or relief of a physical, dental, behavioral, or mental health
13 condition or substance use disorder, including counseling, procedures,
14 products, devices, and medications all supplies, care, and services of a
15 medical, dental, behavioral health, mental health, substance use disorder
16 treatment, surgical, psychiatric, therapeutic, diagnostic, preventative,
17 rehabilitative, or supportive nature, including medication.

18 (2) "Medical debt" means debt arising from health care services,
19 including dental services, or from health care goods, including products,
20 devices, durable medical equipment, and prescription drugs. "Medical debt"
21 does not include debt arising from services provided by a veterinarian; debt

1 charged to a credit card unless the credit card is issued under an open-end or
2 closed-end credit plan offered solely for the payment of health care services;
3 debt charged to a home equity or general-purpose line of credit; or secured
4 debt.

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

6 § 2480b. DISCLOSURES TO CONSUMERS

7 * * *

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

11 “NOTICE TO VERMONT CONSUMERS

12 * * *

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

15 * * *

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

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

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VT LEG #382975 v.1

1 the Internal Revenue Code for the specific purpose of the tax-exempt
2 organization abolishing the medical debt of one or more patients by
3 cancellation of the indebtedness.

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

6 * * *

7 Sec. 7. EFFECTIVE DATE

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