

Proposed Medical Debt Program

Senate Health And Welfare



Office of the State Treasurer
February 12, 2025

THE MEDICAL DEBT PROBLEM

Medical debt is different from other types of debts

Many have little savings to buffer the shocks of medical bills

Medical debt is:



Recognized as a
social
determinant of
health

The leading cause
of bankruptcy in
the U.S.

More prevalent
in communities
of color

Many patients with burdensome medical debt delay the care they need. ***Even if the provider has stopped collection attempts, the patient remembers and may avoid care for fear of more debt.***

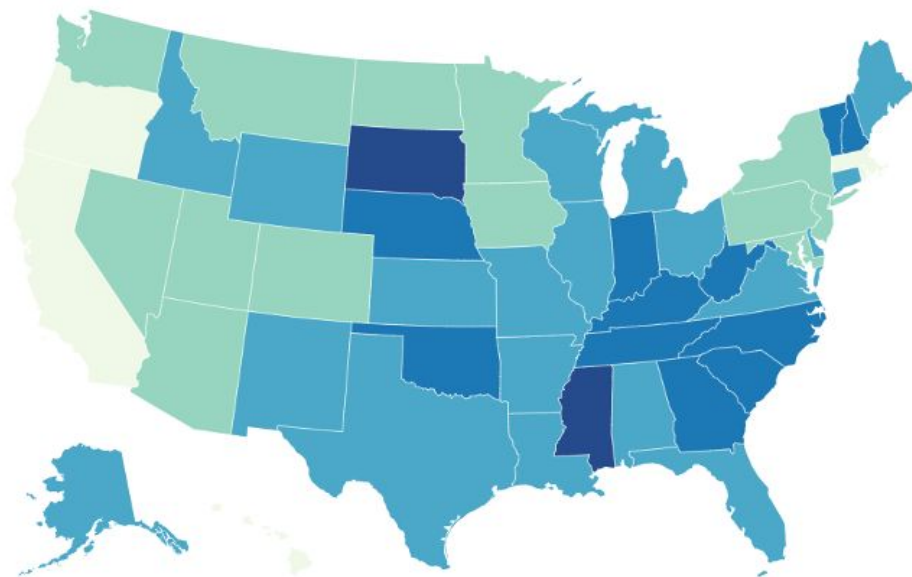
Medical Debt is Pervasive

Share of adults who have medical debt, by state, 2019-2021

< 5% 5%–8% 8%–11% 11%–14% ≥ 14%

“Medical debt can happen to almost anyone in the United States, but this debt is most pronounced among people who are already struggling with poor health, financial insecurity, or both.”

4 in 10 adults nationally currently have medical debt



History of Undue Medical Debt's Philanthropic Efforts

- Undue Medical Debt (formerly RIP Medical Debt) is a national 501(c)(3) nonprofit whose purpose is to strengthen communities by erasing financially burdensome medical debt.
- Founded in 2014 by former debt collection executives, Undue Medical Debt is one of the leading charitable organizations that help pay medical bills.
- **\$14,807,982,958** Debt Relieved for over 9.85 million people in the United States.
 - **\$2.9 Billion Debt Relieved in 2024**
 - **\$504 Million Debt Relieved in the Northeast since 2018**
- Received \$80 million from MacKenzie Scott (in 2020-2022)

History of Undue Medical Debt's Philanthropic Efforts

Vermont Testimonials

“I received a letter in the mail about my medical bill [saying that] debt abolishment was generously provided by Principal Financial Foundation and coordinated by Undue Medical Debt. I was so shocked, and it touched my heart. I have truly been blessed. I was just trying to figure out how I was going to pay my outstanding medical bills. Everyone who donates and helps people like me is an angel in disguise.”

Bobbi

Richford, VT

“I cannot believe my medical debt is abolished! I racked up this debt when I had a mental health crisis. They put me in an ambulance, didn't properly charge my insurance, and I racked up a \$9,000 bill. I was too sick to even deal with it. I ended up refusing to pay it, because it was their mistake. I almost couldn't buy a house because of collections. Having my debt abolished only a few weeks before giving birth (I just had my first baby Stella) was amazing! I cannot thank you enough!”

Emily

Burlington, VT

History of Undue Medical Debt's Governmental Efforts

New England

Connecticut

Governor Ned Lamont announced that Connecticut will spend **\$6.5 million to cancel \$650 million in medical debt** for an estimated 250,000 residents. The announcement follows the governor's **proposal** during last year's legislative session to invest ARP funding for medical debt forgiveness. The state is negotiating a contract with a nonprofit group to purchase and eliminate the debt and **began accepting requests for proposals** last fall. Individuals who qualify for the program are expected to see the debt relief **as early as June 2024**.

Rhode Island

Rhode Island has appropriated \$1 million dollars to a medical debt forgiveness program administered by their State Treasurer. Preliminary estimates indicate the program will help 30,000 state residents pay off \$85 million of medical debt.

History of Undue Medical Debt's Governmental Efforts

New Jersey

The Garden State was the [first to announce a statewide initiative](#) to commit American Rescue Plan Act of 2021 (ARP) COVID-19 relief funds to tackle medical debt. The state is using [\\$10 million to cancel up to \\$1 billion in medical debt](#) for [tens of thousands of residents](#). New Jersey is partnering with [Undue Medical Debt](#) (formerly known as RIP Medical Debt), a national nonprofit that purchases and eliminates medical debt, and using data analytics to pinpoint those most in need. Undue Medical Debt will send individuals a letter in the mail that their debt has been completely eliminated, targeting those with incomes less than 400 percent of the federal poverty level or those with debt equal to 5 percent or more of their income.

Arizona

Most recently, Arizona Governor Katie Hobbs announced a partnership with Undue Medical Debt to invest [\\$30 million to cancel up to \\$2 billion in medical debt](#) for up to one million residents. To date, this marks the largest state medical debt relief initiative. [Arizona will use ARP COVID-19 relief funds](#) to, like New Jersey, target residents earning up to 400 percent of poverty or those who owe more than 5 percent of their annual income.

District Of Columbia

Last year, District of Columbia (DC) Mayor Muriel Bowser announced the plan to leverage fiscal year 2023 year-end surplus funds, an anticipated [\\$900,000, to cancel up to \\$90 million in medical debt](#) for up to 90,000 District residents. Mayor Bowser highlighted the policy as an effort to address health inequities and racial disparities related to medical care. The Department of Health Care Finance launched the initiative with a Notice of Funding Announcement for [“Debt Free DC in 2023,”](#) seeking a third-party purchaser to work with hospitals across the District to buy down the debt of residents with incomes up to 400 percent of poverty or medical debt more than 5 percent of their annual income.

History of Undue Medical Debt's Governmental Efforts

Pennsylvania

Governor Josh Shapiro proposed [\\$4 million to cancel \\$400 million in medical debt](#) for low-income Pennsylvanians. This effort would apply to residents with incomes below 400 percent of poverty and those with medical debt that is at least 5 percent of their annual income. The proposal is included in the [governor's fiscal year 2025 budget](#) and calls for health care providers to implement transparent practices to limit medical debt from being incurred. Unlike the initiatives described above, this effort would use state dollars to fund the program and is intended to be an ongoing initiative.

Illinois

Illinois is similarly proposing the use of [state dollars for a multiyear initiative to cancel medical debt](#). Governor J.B. Pritzker's proposed budget for fiscal year 2025 would use general funds beginning with a [\\$10 million appropriation to relieve \\$1 billion in medical debt](#) for the first cohort of 340,000 Illinois residents. The state aims to eliminate [\\$4 billion for more than one million residents](#) over the span of four years, for individuals with incomes up to 400 percent of poverty and those with medical debt that is 5 percent or more of their annual income. Illinois would partner with Undue Medical Debt, which has implemented a similar program for residents living in Cook County.

Local Efforts

In January, New York City Mayor Eric Adams announced a plan for the city to invest [\\$18 million to cancel \\$2 billion in medical debt](#), providing relief to up to 500,000 residents with incomes below 400 percent of poverty or medical debt above 5 percent of annual income. The program will launch later this year and run for three years. New York City will be Undue Medical Debt's [largest municipal effort](#), following previous partnerships with other local governments.

According to the White House, the initiatives in New Orleans, Louisiana; Pittsburgh, Pennsylvania; Toledo, Ohio; and Cook County, Illinois are using approximately [\\$16 million from ARP funding to wipe out nearly \\$1.5 billion in medical debt](#).

Undue Medical Debt

Who is our typical provider partner?

- Non-profit
- Never sold debt
- Doesn't sue or credit-report
- Solid financial assistance

“The benefit of debt forgiveness goes far beyond financial relief,” said Tom Jackiewicz, President of the University of Chicago Health System. “We want to give patients peace of mind to ensure they don’t delay — or entirely avoid — seeking the important medical care they need to stay healthy. This removes an important psychological barrier, which in turn extends our organization’s ongoing health equity work and patient care mission.”

Undue Medical Debt

- Participating hospitals will enter into a Business Associate Agreement and a Non-Disclosure Agreement with Undue Medical Debt to protect the confidentiality of patient health information and other aspects of the transactions.
- The hospitals will send account data files to Undue for analysis. Once accounts for qualifying individuals have been identified, hospitals will make decisions on selling and/or donating accounts to Undue.
- Some hospitals may decide to make their participation public. Others may keep their participation confidential. Either way, patients will be notified of their debt relief.
- These programs will focus on patient accounts that are anywhere from 18 months to 7+ years old (measured from the date services were provided) and after the billing and collections process have been completed.
- Importantly – even though collections activities may have stopped – the medical debts remain outstanding and may continue to have negative economic and health impacts on residents.
- Overall, the impact on hospitals' finances will be positive if they sell medical debt to Undue for cancellation.

HOW THE PROCESS WORKS

Our Debt Acquisition and Abolishment Process (2-4 Months)

BAA and NDA Signed

Data File Transmitted Securely

Qualification and Pricing Analysis Prepared

Decisions Made Regarding Transaction

Accounts Purchased - Detailed List Shared

Communications Strategy Developed

Derogatory Credit Information (If Any)
Removed

Patients Notified

Data Analytics and Financial Assistance Trends

PRIMARY RESPONSIBILITY

Healthcare Organization

Undue

Healthcare Organization & Undue

Undue Medical Debt

Win-Win

“We had a very positive experience working with Undue Medical Debt. Forgiving so much patient debt for financially vulnerable patients highlighted to our organization that we really do live our values of providing great patient care and supporting our community. The whole team was really inspired by this partnership.”

Gregg Miller, MD, Chief Medical Officer, Vituity

“We are so proud to partner with Undue Medical, aligning our goals to serve our community's health care needs, while also addressing the financial impact”

Christine M. Pearson, CPA, CFO AnMed Health System

“Our Mission and Core Values call on us to care for the whole person – body, mind and spirit. High levels of medical debt challenge our past patients on all three levels. Partnering with RIP Medical Debt allows us to relieve those patients of their medical debt to Trinity Health Of New England while recovering a portion of that debt to help us continue providing the care our patients and communities need in a responsible and sustainable manner.”

Montez Carter, PharmD, FACHE, President and CEO, Trinity Health Of New England.

Undue Medical Debt in Vermont

Estimated Impact in Vermont

- Proposal to eliminate \$100 million of older medical debt for moderate and low income Vermonters
- Prohibits the reporting of medical debt on an individual's credit report

Proposed Funding Source

- Requires one-time \$1 million appropriation
- Recommend reallocation of \$1 million previously appropriated to the Treasurer's Office