

Date of Hearing: April 7, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 2123 (Aguiar-Curry) – As Amended March 16, 2026

SUBJECT: Medical Debt Relief Act of 2026.

SUMMARY: Establishes the medical debt relief program, to be administered by the California Health Facilities Financing Authority (CHFFA). Authorizes CHFFA to contract with a medical debt relief coordinator for purposes of acquiring and relieving medical debt of eligible recipients. Appropriates \$2,500,000 general fund (GF) to CHFFA for the purposes of this program. Specifically, **this bill:**

- 1) Establishes the medical debt relief program under CHFFA, and permits CHFFA to:
 - a) Contract with a medical debt relief coordinator for purposes of acquiring medical debt of eligible recipients, either directly from a providing health institution or from a debt buyer. Requires upon the acquisition for the medical debt relief coordinator to convey the acquired indebtedness to CHFFA. Requires CHFFA to:
 - i) Record that the debt is no longer an obligation of the eligible recipient or any other person or entity, if the authority cancels the debt;
 - ii) Maintain books and records of all the acquired and canceled medical debt; and,
 - iii) Provide written notice to the eligible recipient that the medical debt acquired by CHFFA has been canceled and is no longer an obligation of the eligible recipient.
 - b) Adopt, amend, or repeal regulations establishing criteria for the operation and administration of the program, including, but not limited to, criteria for the ranking and priority of all of the following:
 - i) Eligible recipients to receive discharge of their medical debt;
 - ii) Providing health institutions from whom to acquire unpaid medical debt; and,
 - iii) Categories of eligible health care costs resulting in medical debt to discharge pursuant to this bill.
 - c) Adopt, amend, or repeal rules and regulations pursuant to this bill as emergency regulations.
- 2) Requires CHFFA to take into account all of the following factors in developing its ranking and priority criteria:
 - a) The extent to which the cancellation of medical debt will allow categories of eligible recipients to participate meaningfully in the California economy;
 - b) Methods to maximize the geographic distribution of eligible recipients; and,

- c) The benefit to health institutions achieved by purchasing their medical debt.
- 3) Establishes the California Medical Debt Relief Program in the CHFFA Fund. Allocates \$2,500,000 from the General Fund into the California Medical Debt Relief Program Account for the purposes of this bill.
- 4) Requires CHFFA to prepare and provide a report to the Legislature and the Governor by January 1 of each year, starting January 1, 2028, on the operations and outcomes of the medical debt relief program, including, but not limited to, all of the following:
 - a) Any contracts entered into with a medical debt relief coordinator;
 - b) The cost of medical debt purchased;
 - c) The amount of medical debt canceled;
 - d) The benefits to eligible recipients whose medical debt has been purchased; and,
 - e) The balance of the California Medical Debt Relief Program Account.
- 5) Permits CHFFA to be reimbursed for the costs of administration and implementation of this section from moneys in the California Medical Debt Relief Program Account.
- 6) Prohibits the discharge of an eligible recipient's medical debt to result in taxable income to the eligible recipient for purposes of state income taxation.
- 7) Exempts rulemaking for the provisions of this bill from provisions of the Administrative Procedure Act.
- 8) Defines "eligible health care costs" as health care costs for medical care incurred by an eligible recipient at a health facility by a providing health institution.
- 9) Defines "providing health institution" as any of the following that operates a health facility:
 - a) A city, county, or city and county;
 - b) A district hospital;
 - c) A private nonprofit corporation or association;
 - d) A limited liability company whose sole member is a nonprofit corporation or association authorized by the laws of this state to provide or operate a health facility; and,
 - e) A nonprofit corporation that controls or manages, is controlled or managed by, is under common control or management with, or is affiliated with any of the foregoing.
- 10) Defines an "eligible recipient" as a patient who meets all the following qualifications:
 - a) The person is a resident of California;

- b) The person has incurred medical debt following receipt of care from a providing health institution;
- c) The person is unable to repay the debt; and,
- d) The person's federal adjusted gross income is 400% or less than the federal poverty line, or their debt is more than 5% of their adjusted gross income as measured by the prior tax return or the estimated return in the current year.

EXISTING LAW:

- 1) Establishes CHFFA within the office of the State Treasurer to be the State's vehicle for providing financial assistance to public and non-profit health care providers through loans, grants, and tax-exempt bonds. [Government Code (GOV) § 15430, *et seq.*]
- 2) Establishes the Department of Health Care Access and Information (HCAI) in the California Health and Human Services Agency to expand equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs. [Health and Safety Code (HSC) § 127000, *et seq.*]
- 3) Requires a hospital to provide a person without health coverage with a written estimate of the amount the hospital will require the person to pay for the health care services, procedures, and supplies that are reasonably expected to be provided to the person by the hospital, based upon an average length of stay and services provided for the person's diagnosis. Allows the hospital to provide this estimate during normal business office hours. Requires the hospital to provide information about its financial assistance and charity care policies and contact information for a hospital employee or office from which the person may obtain further information about these policies. Requires the hospital to also provide the person with an application form for financial assistance or charity care. Excludes emergency services from these requirements. [HSC § 1339.585]
- 4) Requires each hospital to maintain an understandable written policy regarding discount payments for financially qualified patients as well as an understandable written charity care policy. Makes uninsured patients or patients with high medical costs who are at or below 400% of the federal poverty level (FPL) eligible to apply for participation under a hospital's charity care policy or discount payment policy. Requires the written policy regarding discount payments to include a statement that an emergency physician who provides emergency medical services in a hospital that provides emergency care is also required to provide discounts to uninsured patients or patients with high medical costs who are at or below 400% of FPL. [HSC § 127405]
- 5) Requires a hospital to prescreen a patient for presumptive eligibility for participation under the hospital's charity care policy and discount payment policy, if the patient meets specific criteria, including, among others, that the patient is enrolled in: CalFresh; CalWORKs; Tribal Temporary Assistance for Needy Families; Women, Infants, and Children; California Alternate Rates for Energy; the Low-Income Home Energy Assistance Program; Housing Choice Voucher program, and any other programs as determined by the department and any additional programs determined by each hospital that would reasonably reflect the approximate patient household income. Additionally requires presumptive eligibility for participation under a charity care policy and discount payment policy if the patient or a

member of the patient's family was determined to be eligible for participation under the hospital's charity care policy or discount payment policy for services billed or provided during the previous six-month period. Permits the hospital to ask the patient if their income or insurance has changed during the last six months. [HSC § 127406]

- 6) Prohibits a hospital from selling patient debt to a debt buyer unless all of the following apply:
 - a) The hospital has found the patient ineligible for financial assistance or the patient has not responded to any attempts to bill or offer financial assistance for 180 days;
 - b) The hospital includes contractual language in the sales agreement in which the debt buyer agrees to return, and the hospital agrees to accept, any account in which the balance has been determined to be incorrect due to the availability of a third-party payer, including a health plan or government health coverage program, or the patient is eligible for charity care or financial assistance;
 - c) The debt buyer agrees to not resell or otherwise transfer the patient debt, except to the originating hospital or a tax-exempt organization, or if the debt buyer is sold or merged with another entity;
 - d) The debt buyer agrees not to charge interest or fees on the patient debt; and,
 - e) The debt buyer is licensed as a debt collector by the Department of Financial Protection and Innovation. [HSC § 127425]
- 7) Requires a hospital to provide a copy of its discount payment policy, charity care policy, eligibility procedures for those policies, review process, and the application for charity care or discounted payment programs, as well as a copy of its debt collection policy to HCAI. Requires the information to be provided at least biennially on January 1, or when a significant change is made. Requires HCAI to make this information available to the public on its internet website. Prohibits a patient from being denied financial assistance that would be available pursuant to the policy published on HCAI's internet website at the time of service. [HSC § 127435]
- 8) Establishes the Medi-Cal Program, administered by the Department of Health Care Services (DHCS), to provide comprehensive health benefits to low-income individuals who meet specified eligibility criteria. [Welfare and Institutions Code (WIC) § 14000, *et seq.*]
- 9) Prohibits a provider of health care services rendered to a Medi-Cal beneficiary, who obtains a label or copy from the Medi-Cal card or other proof of Medi-Cal eligibility, from seeking reimbursement or attempting to obtain payment for the cost of covered health care services from the eligible applicant or recipient, or a person other than DHCS or a third-party payor who provides a contractual or legal entitlement to health care services. [WIC § 14019.4]
- 10) Exempts from 8) above the Medi-Cal spend down of excess income owed by a Medi-Cal beneficiary, unless the beneficiary's spend down of excess income has been met for the month in which services were rendered (allows billing of individuals who have not met their "share of cost" obligation, which allows the individual to establish eligibility for Medi-Cal in a given month). [*Ibid.*]

11) Subjects providers who do not comply with the requirements in 8) above to penalties, as specified. [*Ibid.*]

FISCAL EFFECT: Unknown. This bill has not been analyzed by a fiscal committee.

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, this bill addresses a growing crisis for millions of Californians—medical debt. The author states that even those with insurance face high out-of-pocket costs that can quickly become unmanageable, driving financial distress and causing people to delay or forego needed care. The author continues that this bill establishes a statewide Medical Debt Relief Program to purchase and eliminate qualifying debt for low- and middle-income residents. The author argues that by leveraging the secondary debt market, modest public investments can erase large amounts of debt. The author concludes that building on successful local models, this bill offers a cost-effective, scalable solution that expands access to care, reduces financial hardship, and advances health equity—ensuring Californians are not forced to choose between their health and financial stability.
- 2) **BACKGROUND.** Over the last two decades, significant federal policy changes have reshaped the health insurance landscape in California, expanding coverage, increasing affordability, and strengthening consumer protections for millions of residents. These policies drove historic reductions in the uninsured rate and provided greater stability for families, providers, and health systems across the state. These gains, however, are now under threat as the expiration and rollback of key federal supports, combined with broader economic uncertainty and rising health care costs, risk reversing hard-won progress and increasing the number of Californians who are struggling to access affordable health care. According to the California Health Care Foundation 2026 Health Policy Survey (CHCF Survey), half of Californians (51%) reported that their health care expenses have increased faster than their incomes, and a vast majority (71%) are experiencing financial strain due to health care costs. About 6 in 10 Californians overall (59%), and 70% of Californians with low incomes, say they skipped or postponed care due to cost in the past year. Nearly half of Californians (47%) say it is “very” or “somewhat” difficult to afford health care.
 - a) **Medical Debt.** The CHCF Survey found that worries about unexpected medical bills far exceed worries about affording other expenses, including rent and groceries. Four in 10 Californians have medical debt, including 55% of those with low incomes and 37% with higher incomes. The CHCF Survey also notes that medical debt has regional and racial variability. Latino/x Californians (49%) are more likely to report debt than white (37%), Black (35%) or Asian Californians (30%). Half of rural northern California respondents (51%) and nearly half of Inland Empire respondents (47%) reported medical debt. In contrast, about 3 in 10 Bay Area (32%), Sacramento (31%), and San Diego respondents (31%) report any medical debt.

A March 2024 *Journal of the American Medical Association* (JAMA) network open article cross-sectional study of 2,943 United States counties, including in California, found that a higher share of the population with medical debt was associated with more days of poor physical and mental health, more years of life lost, and higher mortality rates. According to a 2023 *Urban Institute* Issue Brief, “Most Adults with Past-due

Medical Debt Owe Money to Hospitals,” hospital debt makes up over 70% of medical debt, and hospital bills are generally much larger than other types of medical bills.

- b) LA County Debt Relief Program.** In 2024, the Los Angeles County Supervisors committed \$5 million in County funds to purchase medical debt for pennies on the dollar. With this investment and additional funds from the LA Care Health Plan and the LA County Medical Association, the Los Angeles County Public Health Department partnered with the non-profit organization Undue Medical Debt to implement a debt relief pilot program. The Medical Debt Relief Program purchases qualifying debts from partnered hospitals, health systems, and collection agencies for a fraction of their face value. Relief cannot be requested through the pilot program, it is granted automatically to eligible Los Angeles County residents whose debt is held by participating providers. To qualify, residents must have a household income at or below 400% of the FPL or medical debt that equals 5% or more of their annual income. Recipients receive an official letter from Undue Medical Debt and Los Angeles County confirming that their debt has been permanently forgiven. As of December 2025, over \$363 million of medical debt had been erased for over 171,000 residents. The County’s goal is to retire an estimated \$500 million in medical debt for low-income residents, representing nearly a quarter of the total \$2.9 billion of medical debt held across Los Angeles County.
- c) Hospital charity care programs.** Nonprofit hospitals must offer charity care and other community services as a condition of their exemption from income, property, and sales taxes. The facilities provide charity care to eligible uninsured and insured patients, with no expectation of payment. According to a 2020 John Hopkins University study published in JAMA, the highest-earning nonprofit hospitals in the United States provided less charity care to patients than lower-earning hospitals did, relative to the facilities’ respective profits. The study also found that in states where Medicaid was expanded under the Patient Protection and Affordable Care Act (such as California), hospitals gave less charity care than hospitals in other states did: \$12 versus \$37.8 for uninsured patients, and \$8.7 versus \$11 for insured patients, measured against every \$100 of net income.

According to a 2023 Lown Institute report (the report), “Fair Share Spending,” non-profit hospitals, in particular, are under-delivering on their community benefit and charity care obligations. The report found that, out of 1,773 nonprofit hospitals evaluated, 77% spent less on charity care and community investment than the estimated value of their tax breaks — what they call a “fair share” deficit. The total “fair share” deficit for these hospitals amounted to \$14.2 billion in 2020, enough to erase the medical debts of 18 million Americans or rescue the finances of more than 600 rural hospitals at risk of closure. According to the report, 71 hospitals in California have a “fair share deficit” of \$1.4 billion, an amount large enough to wipe out 581,510 medical debts (or 18% of medical debt in the state).

- 3) SUPPORT.** California State Treasurer Fiona Ma (Treasurer Ma) is sponsoring this bill. Treasurer Ma states that medical debt remains a significant burden for families across California, undermining financial stability, damaging credit, and causing many to delay or forego needed care. Treasurer Ma continues that addressing this issue is critical to improving both economic security and health outcomes. Treasurer Ma argues that this model has been successfully implemented at the local level, demonstrating its effectiveness and potential for

broader application. Treasurer Ma continues that this bill expands CHFFA's ability to support not only health facilities, but also the patients and families they serve.

4) RELATED LEGISLATION. AB 2746 (Schiavo) would add medical credit card debt to the definition of "medical debt" for the purpose of the Consumer Credit Reporting Agencies Act and the Investigative Consumer Reporting Agencies, thus prohibiting the reporting of that debt to consumer credit reporting agencies. AB 2746 is currently pending in the Assembly Committee on Banking and Finance.

5) PREVIOUS LEGISLATION.

- a) SB 1061 (Limón), Chapter 520, Statutes of 2024, prohibits reporting medical debt to consumer credit reporting agencies, prohibits those agencies from including it in their reports, and prohibits others from relying on medical debt that appears. SB 1061 also requires hospitals to maintain specified records and prohibits debt collectors from engaging in certain practices.
- b) AB 1312 (Schiavo), Chapter 450, Statutes of 2025, requires a hospital to prescreen a patient for presumptive eligibility for participation under the hospital's charity care policy and discount payment policy, if the patient meets specific criteria, including, among others, that the patient is enrolled in CalFresh or CalWORKs.
- c) AB 2297 (Friedman), Chapter 511, Statutes of 2024, authorizes an emergency physician to grant eligibility for a discount payment policy to patients with incomes over 400% of the FPL. Prohibits a hospital from considering the monetary assets of the patient when determining eligibility for both charity care and discount payment policies. Prohibits a hospital or emergency physician from using liens on any real property as a means of collecting unpaid hospital or emergency physician bills, and prohibits a collection agency from conducting a sale of any real property owned by a patient, or placing a lien on any real property as a means of collecting unpaid hospital or emergency physician bills.
- d) AB 1020 (Friedman), Chapter 473, Statutes of 2021, prohibits a hospital from selling patient debt to a debt buyer, unless specified conditions are met, including that the hospital has found the patient ineligible for financial assistance or the patient has not responded to attempts to bill or offer financial assistance for 180 days. Prohibits a debt collector from collecting consumer debt that originated with a hospital without first communicating with the debtor in writing, and including the name and address of the hospital and information on how to obtain an itemized hospital bill. Revises eligibility requirements for charity care or discount payments from a hospital, redefines "high medical costs" and requires a hospital to display a notice of the hospital's policy for financially qualified and self-pay patients on the hospital's internet website. Requires HCAI, commencing on January 1, 2024, to impose an administrative penalty against a hospital that improperly bills a patient, as specified, and to establish an appeals process by regulation.

6) PROPOSED AMENDMENTS.

- a) **CHFFA authority.** This bill empowers CHFFA to develop and implement the medical debt relief program. Currently CHFFA administers various loan programs for public and non-profit hospitals. The program detailed under this bill would be CHFFA's first foray

into any sort of consumer-facing function. Additionally, CHFFA currently interfaces with public and nonprofit hospitals, but has no established workstreams with for-profit hospitals or other providers, such as dentists, who are drivers of medical debt. Given this lack of experience, it's prudent to ensure that entities and stakeholders with broader system-wide knowledge on medical debt and its impact on consumers are involved in the establishment and administration of the program. To accomplish this, the committee is proposing two amendments:

- i) Require CHFFA to enter an interagency agreement with HCAI to implement the medical debt relief program. HCAI, which manages oversight and data related to the broader health system through the Office of Healthcare Affordability and Health Payments Database, among other functions, will be a valuable partner to CHFFA in establishing a debt relief program that is all-encompassing and set up for long-term success.
 - ii) Require CHFFA and HCAI to convene a stakeholder advisory group to advise on the development, implementation, and administration of the medical debt relief program. This working group, modeled off Los Angeles County's Medical Debt Coalition, would consist of consumer, labor and health system representatives.
- b) Limited scope.** As drafted, only debt from public or private non-profit institutions would be eligible for relief, likely because those are the institutions under CHFFA's purview. According to a report by the California Pan-Ethnic Health Network, in LA County alone, hospitals led to the greatest amount of medical debt (34%), followed by a doctor's office or clinic (27%), and dentist (26%). Given that this bill is establishing an ongoing statewide program, it should be set up to provide consumer relief from as many sources of medical debt, not just a narrow scope based on the sponsoring agency's experience. The committee is proposing amendments to expand the definition of eligible institutions to ensure that all medical debt can be considered as part of the program.
- c) Statewide debt reporting.** Multiple stakeholder groups have raised the issue that there is no current statewide reporting requirement on uncollected medical debt. Los Angeles County, as part of their regional efforts to alleviate medical debt, passed an ordinance requiring acute care hospitals to report their financial assistance operations and debt collection activities. Los Angeles' reported data informs policy improvements, identifies gaps, and flags missed opportunities, such as patients eligible for assistance being sent to collections. The committee is proposing amendments to require hospitals to report on uncollected medical debt as part of existing annual financial reporting requirements. The amendments further empower the stakeholder advisory group to recommend additional reporting needs to support the ongoing administration of the debt relief program.

REGISTERED SUPPORT / OPPOSITION:

Support

Treasurer Fiona Ma (sponsor)

Opposition

None on file

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