

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 2123 (Aguiar-Curry) – As Amended April 9, 2026

SUBJECT: Medical Debt Relief Act of 2026

SUMMARY: Specifically, **this bill:**

- 1) Defines “Eligible health care costs” to mean health care costs for medical care incurred by an eligible recipient at a health facility by a providing health institution.
- 2) Defines “Eligible recipient” to mean a patient who meets all of 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 percent or less than the federal poverty line, or their debt is more than 5 percent of their adjusted gross income as measured by the prior tax return or the estimated return in the current year.
- 3) Establishes the medical debt relief program to be administered by the California Health Facilities Financing Authority (CHFFA) and implementation through an interagency agreement with the California Department of Health Care Access and Information (the Department).
- 4) Requires CHFFA and the Department to convene a stakeholder group of no more than 17 voting members formed from various stakeholders as specified, and no more than 50% representation being providers from health care institutions.
- 5) Requires the advisory group to develop recommendations for CHFFA and the Department on development, implementation, and administration consisting of specified criteria no later than January 1, 2028.
- 6) Permits CHFFA, in consultation with the Department, 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) Determine if the recipient was eligible for charity care or discount, if the recipient is still eligible , and the hospital is still in possession of the debt, requires the medical debt relief coordinator to see how much will be relieved by the hospital under existing law and cancel the rest.

- ii) 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;
 - iii) Maintain books and records of all the acquired and canceled medical debt; and,
 - iv) 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) Report on the contracts and terms entered into with providing health institutions and debt buyers.
 - c) Adopt, amend, or repeal rules and regulations pursuant to this chapter as emergency regulations. The adoption, amendment, or repeal of these regulations is conclusively presumed to be necessary for the immediate preservation of the public peace, health, safety, or general welfare within the meaning of Section 11346.1.
 - 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.
 - d) Adopt, amend, or repeal rules and regulations pursuant to this bill as emergency regulations.
- 7) Requires the authority to maintain a public internet website on the program that contains all of the following:
- a) Information about the program.
 - b) Information on other financial relief programs available to consumers, including hospital financial assistance under Section 127405 of the Health and Safety Code.
 - c) Reports submitted pursuant to subdivision (k).
- 8) Requires CHFFA, in consultation with the Department, 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;
 - e) The balance of the California Medical Debt Relief Program Account;

- f) Providing health institutions;
 - g) The data collected on medical debt owed to hospitals pursuant to paragraph (18) of subdivision (a) of Section 128740 of the Health and Safety Code by providing health institutions; and
 - h) Aggregate data about eligible recipients, including demographic data, source of coverage, ZIP Code, amount of debt, and whether charity care or discount payment were given by the hospital, if the institution is a hospital.
- 9) Permits CHFFA to be reimbursed for the costs of administration and implementation of this section from monies in the California Medical Debt Relief Program Account.
 - 10) 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.
 - 11) Exempts rulemaking for the provisions of this bill from provisions of the Administrative Procedure Act.

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 is keyed Fiscal by Legislative Counsel.

COMMENTS:

1) Purpose

Statement from the Author

"AB 2123 addresses a growing crisis for millions of Californians—medical debt. Even those with insurance face high out-of-pocket costs that can quickly become unmanageable, driving financial distress and causing people to delay or forgo needed care. The bill establishes a statewide Medical Debt Relief Program to purchase and eliminate qualifying debt for low- and middle-income residents. By leveraging the secondary debt market, modest public investments can erase large amounts of debt. Building on successful local models, AB 2123 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."

Arguments in Support

"Medical debt remains a significant burden for families across California, undermining financial stability, damaging credit, and causing many to delay or forgo needed care. Addressing this issue is critical to improving both economic security and health outcomes.

AB 2123 would establish a medical debt relief program within the California Health Facilities Financing Authority (CHFFA), allowing partnerships with qualified nonprofit entities to purchase old, unpaid medical debt from health care providers and debt collectors, and eliminate that debt for consumers. By leveraging the secondary debt market, this program offers a cost-effective and direct way to provide meaningful relief. This model has been successfully implemented at the local level in Los Angeles County, which has eliminated over \$543 million in medical debt for more than 210,000 residents, demonstrating its effectiveness and potential for broader application.

This measure expands CHFFA's ability to support not only health facilities, but also the patients and families they serve, It represents a practical step toward reducing financial hardship and advancing health equity, particularly for low-income communities."--Fiona Ma, California State Treasurer

Arguments in Opposition

None received.

2) Background

In 2024, 36% of US households had medical debt, 21% had a past-due medical bill, and 23% were paying a medical bill over time to a provider. Medical and dental providers are one of the most common sources of credit to households.¹ When people have difficulties, they often have difficulty paying for basic household expenses such as utilities and food. Because difficulties tend to be grouped, households that experienced one difficulty often had difficulties with other expenses as well.² Two in five households had difficulty with a medical expense.

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.

3) 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. Research shows medical debt has serious downstream

¹ Fullford, S., et al. (2025, August 11) “Medical debt and collections in the United States” *Health Affairs Scholar*, Volume 3, Issue 8. <https://doi.org/10.1093/haschl/qxaf159>

² Fulford S, Rush M. (2024, “Insights from the Making Ends Meet Survey.” CFPB Research Brief 2024-5. Consumer Financial Protection Bureau. 2024, pp 18. Accessed 4/15/26/

consequences, including a 44% higher risk of housing instability, such as difficulty paying rent, eviction, or foreclosure.³

4) 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.

5) 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 "Medical Debt Associated with Subsequent Difficulty Paying Rent or Mortgage", Johns Hopkins, Bloomberg School of Public Health (2026, January 13)

6) What the Bill Does

This bill establishes the Medical Debt Relief Program administered by CHFFA in agreement and consultation with the Department. The agencies will convene an advisory group comprised of no more than 17 members representing different stakeholder groups which will be tasked with advising development implementation, and administration of the program with the ultimate goal of acquiring and canceling qualifying medical debt owed by eligible California residents. This bill permits CHFFA to engage a contractor, called a medical debt relief coordinator (“coordinatoor”) to facilitate the discharge of medical debt for the lowest amount available, for example, if the eligible recipient is still eligible for charity care, the coordinator will notify the hospital to determine how much will be relived, then cancel the rest.

CHFFHA will be required to maintain a public website to provide information about the program, other financial relief programs available to consumers, including existing hospital finance assistance, and reports about the operations and outcomes of the medical debt relief program as specified. While hospitals are already required to report specified financial and utilization data to the Department, including, among other things, total operating expenses, and deductions from revenue, such as bad debts and charity care this bill would require a hospital to report outstanding medical debt owed to the hospital, including debt amount, bill adjustments, source of coverage, whether charity care or discount was provided, demographic data, ZIP Code, and whether the debt led to litigation or wage garnishment. Finally, this bill excludes discharge of an eligible recipient’s medical debt as a taxable income as it results from this program.

7) Prior Mixed Results

Study 1

A study published in the *Quarterly Journal of Economics*⁴ examined evidence from two randomized experiments. The experiments used data from patients with debt relieved between 2018-2020. The first “hospital” debt experiment targeted younger medical debt and was designed to test the effects of relieving debt before the patient is exposed to third-party debt collection. The second “collector” debt experiment targeted older debt, which reflects the majority of the debt relief provided by RIP to date and allows for large-scale debt relief at a lower cost. According to the author, “together, the experiments provide a rich picture of the effects of medical debt relief. The hospital and collector debt experiments were designed to shed light on the cost-effectiveness of relief at different stages in the collection process.”

The results of the study were counter to the experience of many service providers. First, there was no detection of any meaningful effects on healthcare utilization or financial wellness. Second, the study found “medical debt relief causes a statistically significant and economically meaningful reduction in the payment of existing medical bills. Using the “hospital” debt experiment, [they found] that debt relief increases the probability of having another unpaid bill sent to collections by 1.1 percentage points, or 6.6% of the control mean of 16.2%. The effect is almost entirely explained by lower repayment of existing medical bills and is consistent with treated persons raising their expectations of future debt relief, targeting a certain level of indebtedness, or experiencing confusion about the extent of relief.” Third, in a credit reporting

⁴ Kluender, R, et al. (2025, May) “The Effects of Medical Debt Relief: Evidence from Two Randomized Experiments” *The Quarterly Journal of Economics*. Vol 140. Issue 2, pp. 1187-1241. doi.org/10.1093/qje/qjae045.

subexperiment, where control-group accounts are reported, the researchers found that debt relief immediately raises credit scores by an economically small 3.4 points on average (p-value of .021), with a 13.8-point increase (p-value of .008) for persons with no other debt in collections. This immediate increase is accompanied by a gradual increase in credit limits of \$340 on average (p-value of .010; 15.3% of the post-reporting control mean of \$2,231), with larger effects for persons with no other debts in collections. They detect no effects on measures of borrowing or financial distress.

The researchers conclude the study by stating “The disappointing results from this intervention should not detract from the underlying problem we sought to address. Medical debt is pervasive, and the population we study is experiencing poor mental health and severe financial distress. Although the results indicate limited benefits from downstream debt forgiveness, there remains potential that medical debt relief targeted further upstream or in different populations could yield meaningful benefits. Further research will be needed to demonstrate such effects.”

It is also important to note that the sample data is taken pre-COVID 19 which significantly shifted the economy, priorities, and mental health thresholds across the board for most individuals.

Study 2

A different study⁵ which used a variety of reports that include post-COVID 19 realities (2000-2024) determined that medical debt remains a pervasive and overwhelming burden for millions of Americans, often resulting in severe financial distress and a profound emotional toll, including heightened levels of anxiety, depression, and frustration. The impact of medical debt is not uniform, as it disproportionately affects Latino/x and Black Californians, low-income households, and young adults. Research shows that past-due medical bills lead to significant downstream consequences, such as housing instability, damaged credit scores, and the degradation of physical and mental health. These challenges are further exacerbated when creditors employ aggressive collection practices, causing many individuals to delay or forgo necessary health care services.

The study results show medical debt is not merely an individual burden; it generates profound, systemic consequences for both the government and the state's health care infrastructure. This indebtedness drives economic instability and erodes productivity across the workforce. As individuals with outstanding medical obligations frequently delay or forgo essential care, the result is a measurable decline in physical and mental health outcomes. Furthermore, the downstream financial distress—ranging from bankruptcy to severely restricted credit access—remains a pervasive reality. Ultimately, medical debt precipitates a cycle of significant hardship that undermines personal well-being and broader societal stability.

8) The Takeaway and Considerations

While study 1 is directly targeted at the issue of the impact of medical debt relief, it is arguable that respondents of the survey may have shifted priorities after the dramatic inflation following COVID 19 and/or it may not be representative of the responses from an equivalent sampling of

⁵ Aborode, A, et al. (2025, February) “Healthcare debts in the United States: a silent fight” *Annals of Medicine & Surgery*.

Californians.⁶ The issue with medical debt requires a multi-modal approach, medical debt relief is only one of many necessary approaches. The author may wish to consider adding periodic, random surveying of eligible recipients after debt cancellation to gain insights into the impact on mental health, credit reporting, and healthcare utilization as an added measure of success.

REGISTERED SUPPORT / OPPOSITION:**Support****Last checked 4/16/26**

American Cancer Society Cancer Action Network INC.
California State Treasurer

Opposition**Last checked 4/16/26**

None received.

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⁶ The average median income in California is significantly higher than the federal average, reflecting the state's high cost of living. As of 2024, California's median household income was 22.7% higher than the U.S. median.