

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee:	Health	Vote:	13 - 2
	Banking and Finance		7 - 1

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill, the Medical Debt Relief Act of 2026, requires the California Health Facilities Financing Authority (CHFFA) to enter into an interagency agreement with the Department of Health Care Access and Information (HCAI) to convene a stakeholder advisory group to advise on the development, implementation, and administration of the program and develop recommendations, including criteria for the ranking and priority of eligible recipients to receive discharge of their medical debt. The bill requires CHFFA, in consultation with HCAI, to contract with a medical debt relief coordinator for purposes of acquiring medical debt. The bill creates the California Medical Debt Relief Program Account within the CHFFA Fund and makes all moneys in the account available, upon appropriation by the Legislature, to CHFFA for carrying out the purposes of this bill.

For a description of the provisions of this bill, please refer to the Assembly Banking and Finance Committee analysis.

FISCAL EFFECT:

One-time General Fund costs of an unknown amount to CHFFA and HCAI to convene the stakeholder advisory group, and additional ongoing costs to administer the medical debt relief program and to discharge debt. The author has requested a one-time General Fund allocation of \$2.5 million as part of the fiscal year (FY) 2026-27 budget to eliminate medical debt for low- and middle-income Californians.

The Legislative Analyst’s Office recently warned of General Fund structural deficits of around \$35 billion per year in FY 2027-28 and ongoing.

COMMENTS:

1) **Purpose.** According to the author:

[This bill] 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, 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.** 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. A California Health Care Foundation 2026 Health Policy Survey (CHCF Survey) reports that four in 10 Californians have medical debt, including 55% of those with low incomes and 37% with higher incomes. Half of rural northern California respondents (51%) and nearly half of Inland Empire respondents (47%) reported medical debt.

In 2024, the Los Angeles County Board of 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. 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.

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