

Date of Hearing: April 14, 2026

ASSEMBLY COMMITTEE ON HEALTH
Mia Bonta, Chair
AB 2746 (Schiavo) – As Introduced February 20, 2026

SUBJECT: Consumer debt: medical debt.

SUMMARY: Redefines medical debt for purposes of existing law that prohibits consumer and investigative credit reporting agencies (CRAs) from reporting medical debt, and others from relying on medical debt in making credit determinations. Specifically, **this bill:**

- 1) Defines “medical debt” as debt related to, in whole or part, a transaction, account, or balance arising from a medical service, product, or device.
- 2) Clarifies that medical debt does not include any of the following:
 - a) Debt charged to a credit card, unless either of the following applies:
 - i) The credit card is issued under an open-end or closed-end plan offered specifically for the payment of medical services, products, or devices; or,
 - ii) The credit card allows for deferred interest purchases of a medical service, product, or device.
 - b) A loan secured by real property;
 - c) Debt charged to a general-purpose line of credit; or,
 - d) A general purpose unsecured installment loan.

EXISTING LAW:

- 1) Defines “medical debt” as debt owed by a consumer to a person whose primary business is providing medical services, products, or devices, or to the person’s agent or assignee, for the provisions of medical services, products, or devices. Includes medical bills that are not past due or that have been paid. [Civil Code (CIV) § 1785.3]
- 2) Exempts cosmetic surgery from the definition of “medical service, product, or device.” Includes the following in the definition of “medical service, product, or device”:
 - a) Any service, drug, medication, product, or device sold, offered, or provided to a patient by licensed people or facilities, as specified;
 - b) Initial or subsequent reconstructive surgeries, as defined, and follow-up care deemed necessary by the attending physician and surgeon;
 - c) Initial or subsequent prosthetic devices, as defined, and follow-up care deemed necessary by the attending physician and surgeon; and,
 - d) A mastectomy, as defined. [*Ibid.*]

- 3) Prohibits a consumer CRA from making any consumer credit report containing medical debt. [CIV § 1785.13]
- 4) Prohibits an investigative CRA from making or furnishing any investigative consumer report containing medical debt. [CIV § 1786.18]
- 5) Prohibits a person who uses a consumer credit report in connection with a credit transaction from using medical debt listed on the report as a negative factor when making a credit decision. [CIV § 1785.20.6]
- 6) Prohibits the furnishing of information regarding medical debt to a CRA. Determines that medical debt is void and unenforceable if a person knowingly furnishes information regarding medical debt to a CRA. [CIV § 1785.27]
- 7) Prohibits, on or after July 1, 2025, a contract creating a medical debt that does not include the following term. Determines that a contract that does not include the term below is void and unenforceable.

“A holder of this medical debt contract is prohibited by Section 1785.27 of the Civil Code from furnishing any information related to this debt to a consumer credit reporting agency. In addition to any other penalties allowed by law, if a person knowingly violates that section by furnishing information regarding this debt to a consumer credit reporting agency, the debt shall be void and unenforceable.” [Ibid.]

- 8) Prohibits a noncontracting ground ambulance provider, or an entity acting on its behalf, including a debt buyer or assignee of the debt, from reporting adverse information to a consumer CRA or commencing civil action against an individual for a minimum of twelve months after the initial billing regarding amounts owed by the individual. [Health & Safety Code (HSC) § 1371.56 and Insurance Code (INS) § 10126.66]
- 9) Prohibits a noncontracting individual health professional, or any entity acting on their behalf, including any assignee of the debt, from reporting adverse information to a consumer CRA. [HSC § 1371.9 and INS § 10112.8]
- 10) Prohibits a hospital, any assignee of the hospital, or other owner of patient debt, including a collection agency or debt buyer, from reporting adverse information to a consumer CRA. [HSC § 127425]

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

COMMENTS:

- 1) **PURPOSE OF THIS BILL.** According to the author, the looming health insurance crisis, as a result of the passage of H.R. 1, will eliminate coverage for millions of Californians and push many into having to pay out of pocket. The author notes that medical credit cards offer a way for individuals to pay for unpredictable and important care on the spot. The author continues that medical debt is not an accurate predictor of one’s ability to pay credit obligations compared to other types of debt because consumers have limited or no choice in the nature and timing of medical services they require to support their health, which is why California law prohibits the reporting of medical debt to credit agencies. The author argues

that unfortunately, state law does not include medical credit card debt within the definition of medical debt, opening the door for medical credit card companies to unfairly damage the credit score of Californians. The author continues that by including medical credit card debt under the definition of medical debt, more Californians will have access to favorable financial terms, housing and employment opportunities. The author concludes that at a time when affordability is paramount, safeguarding the financial and medical well-being of our constituents should be our foremost priority.

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 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) Medical Credit Cards. A May 2023 Consumer Financial Protection Bureau (CFPB) report describes how financial institutions are generating a growing number of financing mechanisms for families and individuals struggling to pay their out-of-pocket healthcare expenses. The report provides an overview of medical credit cards and loans used for services and procedures for basic medical treatment and emergency health care and key findings include:

- i) Medical credit cards and loans used to be restricted to paying for elective procedures. In recent years, these products have been also offered for basic medical treatment and emergency health care and are growing in scope. These products are often offered by a trusted doctor or nurse in doctor's offices or hospitals when their patients are under significant stress;
- ii) Medical financing companies market their products to healthcare providers by touting their products' cost-saving features and that patients can pay for more expensive medical care that may not be covered by their insurance. However, when these products are offered by medical providers, patients appear not to fully understand the terms of the products and sometimes end up with credit they are unable to afford;
- iii) Many medical credit cards offer people deferred interest, or springing interest, terms for a time period of between six and eighteen months. If someone has a remaining balance after the designated promotional period, they are charged all the interest that would have accrued since their original purchase date. These products are typically more expensive than other forms of payment due to the higher interest payments; and,
- iv) Patients who should be eligible to receive reduced or free care through a financial assistance program or their insurance plan may instead be signed up for a medical card or loan. Many people would be better off without these products for two reasons:
 - (1) The financial burden can be higher and their ability to challenge an inaccurate bill is complicated when they are working through a third-party financial institution; and,
 - (2) The terms of credit for medical credit cards and financing plans can vary greatly in terms of annual percentage rates (APRs), length of the special financing period, and other terms. The APR of the typical medical credit card is 26.99%; currently, the mean APR for all general purpose credit cards is approximately 16%.
- c) **Federal, State, and Other Actions.** In March 2022, the three nationwide credit bureaus—Experian, Equifax, and TransUnion—jointly announced that paid medical debts, medical debts less than a year old, and medical debt under \$500 would no longer be included on consumers' credit reports. In January 2025, the CFPB finalized a rule that would have removed medical debt from credit reports and prohibited lenders from making credit decisions based on medical debt. This rule would have gone beyond industries' voluntary efforts to exclude only certain kinds of medical debt and was set to go into effect March 2025. The rule was challenged by a lawsuit shortly after it was finalized, and new CFPB leadership under the Trump Administration asked the court to vacate this finalized rule, which the court did in July 2025.

Fifteen states, including California, have enacted laws that restrict or ban medical debt credit reporting. SB 1061 (Limón), Chapter 520, Statutes of 2024, prohibits the reporting of medical debt to CRAs. At one point SB 1061 included medical credit cards as defined in this bill, however the language was removed before SB 1061 went to the Governor for signature. While California's current restriction on medical debt credit reporting does not apply to medical credit cards, 11 other states do. The table on the next page demonstrates the states that restrict medical credit card debt and how they define medical credit cards.

Other State Definitions of Medical Debt for Purposes of Restricting Credit Reporting

State	Statute	Text
Connecticut	C.G.S. § 20-7i	“Medical debt” does not include debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered specifically for the payment of charges related to health care goods or health care services.
Colorado	H.B. 23-1126	"Medical debt" does not include debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered specifically for the payment of health-care services or health-care goods.
Delaware	6 Del. C. c. 25J	Medical debt does not include debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered specifically for the payment of health-care services.
Illinois	815 ILCS 505/2EEEE	“Medical debt” does not include debt charged to a credit card or an open-end or close-end extension of credit made by a financial institution to a borrower unless the open-end or close-end extension of credit may be used by the borrower solely for the purpose of the purchase of health care services.
Maine	10 MRS §11002-7A	"Medical debt" means debt arising from health care services, including dental services, or health care goods, including products, devices, durable medical equipment and prescription drugs. "Medical debt" does not include debt arising from services provided by a veterinarian; debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered solely for the payment of health care services; debt charged to a home equity or general purpose line of credit; or secured debt.
Minnesota	Minn. Stat. § 332C.01	"Medical debt" means debt incurred primarily for medically necessary health treatment or services. Medical debt includes debt charged to a credit card or other credit instrument, on or after October 1, 2024, under an open-end or closed-end credit plan offered specifically to pay for health treatment or services.
New Jersey	N.J.S.A. 56:11-57	“Medical debt” shall not include: debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered solely for the payment of health care services or goods.
New York	N.Y. Gen. Bus. § 380-a(v)	Medical debt does not include debt charged to a credit card unless the credit card is issued under an open-ended or closed-ended plan offered specifically for the payment of health care services, products, or devices provided to a person.
Oregon	ORS 646A.677(1)(g)	“Medical debt” means a monetary obligation...that a resident of this state...[o]wes: On a credit card, if the credit card is issued under an open-end or a closed-end credit plan offered specifically for the payment of medical services, products or devices for individuals...
Vermont	9 V.S.A. § 2466d	“Medical debt” does not include... debt charged to a credit card unless the credit card is issued under an open-end or closed-end credit plan offered solely for the payment of health care services...
Virginia	Va. Code Ann §59.1- 444.1	"Medical debt" does not include debt charged to a credit card but does include an open-end or closed-end extension of credit made by a financial institution to a borrower that may be used by the borrower solely for the purpose of the purchase of health care services.

- 3) **SUPPORT.** The Consumer Federation of California, California Low-Income Consumer Coalition, and CALPIRG are cosponsoring this bill. The cosponsors note that Californians are offered medical credit cards and installment loan products in medical facilities with ties to better care, and in some cases, for treatment that can change the medical outcome of the patient now turned borrower. The cosponsors state that products are often marketed by employees of their medical provider, which adds to consumer confusion and can erode patient trust in their medical providers. The cosponsors continue that the market for these products has grown exponentially. In 2024, the product known as CareCredit had 12 million cardholders with over 270,000 participating providers, an increase of 4.4 million cardholders and 177,000 participating providers compared to ten years prior. The cosponsors cite a CFPB report that found from 2018 to 2020, consumers used these financing options with periods of deferred interest to pay for almost \$23 billion in healthcare expenses and a whopping \$1 billion in deferred interest. The cosponsors note that research from Harvard Medical School illustrates that damage to credit scores can carry serious health consequences, as researchers found that patients who experienced a two-tier drop in their credit score within a year were 29% more likely to die. For those who saw that drop within six months, the figure rose to 63%. The cosponsors argue that this bill protects Californians' credit scores from dropping due to medical expenses by prohibiting the reporting of medical credit card debt on consumer credit reports. The cosponsors note that this bill would align California with ten other states who prohibit the reporting or furnishing of credit card debt. The cosponsors conclude that this patient-first bill ensures that health and wellbeing is prioritized during medical visits instead of the interest of medical financial product companies which have no place in rooms where critical medical decisions are to be made.
- 4) **OPPOSITION.** A coalition of credit unions, bankers, businesses, credit card companies, and other financial service providers are opposed to this bill. The opposition argues that the approach under this bill would require a historic rollback of medical privacy protections, is unimplementable as a matter of law and system design, and would generate serious conflicts with both California and federal privacy and credit-reporting frameworks. The opposition continues that third-party lenders do not have, and cannot obtain, the information needed to comply with an expanded 'medical debt' definition. They argue that there are legal barriers to third-party lenders having access to private medical information and that there is no item-level visibility with consumer transactions. The opposition continues that granting third-party lenders access to clinical details would mark a historic shift in medical privacy. The opposition argues that California's privacy architecture and federal law reflect a decades-long consensus: medical information stays between patients and health care providers/health care plans and is shared only through narrow, explicit exceptions. The opposition continues that allowing routine, non-consented clinical disclosures to financial institutions so they can label credit-card/loan balances as 'medical' would invert that structure and expand the universe of entities holding Californians' most sensitive health data. The opposition notes that lenders and credit card issuers do not want access to Californian's private medical information, however this is necessary for the bill to work. The opposition continues that to execute this bill as drafted, California and federal law would need significant changes and still leave feasibility gaps. The opposition concludes that California already has a medical debt law signed into law, as do other states who do not have the definition of medical debt as proposed by this bill.
- 5) **RELATED LEGISLATION.** AB 2123 (Aguilar-Curry) would establish the medical debt relief program, to be administered by the California Health Facilities Financing Authority

(CHFFA) in partnership with the Department of Health Care Access and Information (HCAI). Would require CHFFA and HCAI to convene a stakeholder advisory group to advise on the development, implementation, and administration of the medical debt relief program. AB 2123 is currently pending review in the Assembly Committee on Banking and Finance.

- 6) **PREVIOUS LEGISLATION.** SB 1061 (Limón) prohibits reporting medical debt to CRAs, prohibits those agencies from including it in their reports, and others from relying on medical debt that appears. SB 1061 requires hospitals to maintain specified records and prohibits debt collectors from engaging in certain practices.
- 7) **DOUBLE REFERRAL.** This bill is double referred, upon passage of this committee, it will be heard in the Assembly Committee on Banking and Finance.
- 8) **POLICY COMMENT.** Most opposition groups argue that this bill is unimplementable and would require numerous changes to state and federal privacy laws in order for third-party entities to comply. This bill would simply add a credit card that “is issued under an open-end or closed-end plan offered specifically for the payment of medical services, products, or devices” and a credit card that “allows for deferred interest purchases of a medical service, product, or device” to existing law that restricts the reporting of medical debt to CRAs in California. As demonstrated in the table above, at least six other states (Connecticut, Colorado, Delaware, Minnesota, New York, and Oregon) similarly define medical credit cards in their restrictions on medical debt reporting. The main difference in this bill is the inclusion of credit cards that allow for deferred interest purchases for medical services, products, or devices. The opposition claims that the entirety of this bill is unimplementable and violates state and federal privacy laws, however it is questionable if this claim is true when many members of the opposition continue to operate in states that have enacted provisions similar to this bill.

Some representatives of the opposition met with this committee, and claim that the definitions in other states do not encompass their products. The opposition claims that their medical credit cards are not offered “specifically for the payment of medical services, products, or devices” but they do offer deferred interest for such purchases. These opposition groups argue that most medical credit cards are no longer specifically for medical purchases and allow consumers to utilize them for an array of non-medical purchases. While consumers may be able to utilize the cards more broadly, this narrative contradicts with the information presented on their consumer-facing platforms. For example, CareCredit’s website indicates that “**CareCredit is a health and wellness credit card with flexible financing options so you can pay over time for care you want or need.**” Even though it can be used for other purposes, that reads as marketing the card as **specifically** for medical services, products, or devices.

Furthermore, consumers are oftentimes enrolled in these cards directly by their providers under the pretense that it is a tool to help them afford necessary care. For example, the Sherman Oaks Hospital in Southern California markets CareCredit directly on their website, stating that “Sherman Oaks Hospital is pleased to announce that we have partnered with CareCredit to offer promotional financing options with the CareCredit credit card to help you get the care you need, when you need it...**CareCredit is a health, wellness and personal care credit card that gives you the ability to pay over time with promotional financing**

options for expenses of \$200 or more. Use CareCredit to pay for deductibles, copays and out-of-pocket expenses **not covered by insurance.**” The marketing practices of the opposition directly conflict with their argument that their products are not specifically for medical purposes. It may be true that they are not solely for those purposes, but this bill and laws in other states are consciously not utilizing the term “solely” given that these cards have expanded their reach.

The Legislature may wish to contemplate whether it is appropriate for patients in dire need to be targeted by these companies, oftentimes through a trusted health care provider, and enrolled in a product that is being marketed to them to cover the services they need to stay alive or healthy but could open them up to debt far beyond that purpose. A consumer coalition support letter notes that they have been informed of cases where medical assistants or receptionists run a patient’s credit application without their approval or knowledge to later inform them that they’ve been approved for financing, even if their services could be covered by insurance or charitable assistance. These sorts of predatory practices are especially concerning given the current context of health care in California – where an estimated 3 million consumers are anticipated to lose insurance coverage, insurance premium rates are doubling for those who still have coverage, and affording health care is the number one concern of Californians across the state.

The opposition also argues that SB 1061 required medical debt to be deemed medically necessary, and they do not have the ability to determine what purchases were medically necessary without violating state and federal medical privacy laws. While they are able to easily determine at which merchant a purchase was made, for example a doctor’s office vs. a Walmart, they cannot determine what individual items were purchased. This committee was not able to identify a medical necessity requirement in SB 1061. SB 1061’s definition of “medical debt,” as detailed in 1) and 2) of existing law above, shows what constitutes a “medical service, product, or device.” This includes “any service, drug, medication, product, or device sold, offered, or provided to a patient by licensed people or facilities,” which does not require medical necessity. That language could be interpreted to encompass anything a provider or facility sells to a patient – which could easily be determined by the merchant information that the opposition states they have access to. The definition further includes follow-up care “deemed necessary” by a provider after reconstructive surgeries and receiving prosthetic devices. However, “deemed necessary” is not the same thing as “medically necessary,” which is more stringently defined in various Health & Safety Code sections, such as the state’s mental health parity laws. A few consumer privacy groups wrote in support of this bill, stating that it “in no way, shape or form reduces privacy protections for medical information.” They argue that these lenders have contracts with certain merchants that aren’t providers of health care, such as retail stores, and that the lenders control which products and product types are allowed to be purchased. Thus, implying that the lenders should be aware that purchases are in fact related to medical care.

The issue then boils down to whether these medical credit cards are contracted to allow consumers to purchase truly non-medical products, like TVs. If they are, then the Legislature may again want to contemplate whether it is ethical for these lenders to target consumers undergoing medical stress into using credit lines that aren’t purely designed to alleviate medical bills.

The negative credit impact from these medical credit cards can lead to denials of housing, favorable loan rates, and in some cases, higher paying jobs. Whether a consumer needs health care is out of their control, and under existing law these lenders are allowed to operate and a consumer may use a medical credit card to pay for their care. At a time when Californians are choosing between health care and basic necessities, the Legislature must consider whether medical credit card debt – just like medical debt covered under existing law – should be allowed to negatively impact their credit.

REGISTERED SUPPORT / OPPOSITION:

Support

California Low-Income Consumer Coalition (cosponsor)
 CalPIRG, California Public Interest Research Group (cosponsor)
 Consumer Federation of California (cosponsor)
 AARP
 Blood Cancer United, Formerly the Leukemia & Lymphoma Society
 California Advocates for Nursing Home Reform
 California Pan - Ethnic Health Network
 California State Council of Service Employees International Union (SEIU California)
 Center for Responsible Lending
 Coalition of California Welfare Rights Organizations (CCWRO)
 Community Legal Services in East Palo Alto
 Consumer Action
 Consumer Reports
 Contra Costa Senior Legal Services
 End Child Poverty CA
 Friends Committee on Legislation of California
 Health Access California
 Housing and Economic Rights Advocates (HERA)
 Indivisible CA StateStrong
 Latino Coalition for a Healthy California
 Legal Aid Society of San Diego
 Legal Assistance for Seniors
 National Consumer Law Center
 Privacy Defense Alliance
 Public Counsel
 Public Law Center
 Small Business Majority
 Western Center on Law & Poverty
 Two individuals

Opposition

A+ Dental Care
 Academy of Doctors of Audiology
 American Academy of Dermatology
 American Academy of Sleep Medicine
 American Financial Services Association

American Massage Therapy Association; the
American Society of Plastic Surgeons
Association of Dental Support Organizations
Bright Now! Dental
California Academy of General Dentistry
California Association of Collectors
California Association of Oral and Maxillofacial Surgeons
California Association of Orthodontists
California Bankers Association
California Chamber of Commerce
California Chiropractic Association
California Credit Union League
California Creditors Bar Association
California Financial Services Association
California Society of Dermatology & Dermatologic Surgery
California Society of Plastic Surgeons
Card Coalition
Consumer Data Industry Association
Electronic Transactions Association
Encore Capital Group
National Creditors Bar Association
Newport Dental
PRA Group
Revenue Management Association International
Silicon Valley Leadership Group
Smile Brands
The Aesthetic Society

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