



State of Wisconsin
2025 - 2026 LEGISLATURE

LRB-6241/1
KMS&KP:ajk

2025 BILL

- 1 **AN ACT to create** 20.435 (1) (fr), 71.05 (6) (b) 57. and 146.691 of the statutes;
2 **relating to:** medical debt abolition and making an appropriation.

Analysis by the Legislative Reference Bureau

This bill provides \$10,000,000 in each of fiscal years 2025-26 and 2026-27 to the Department of Health Services to purchase eligible residents' medical debt from commercial debt collectors and health care providers and abolish the medical debt. Under the bill, DHS must abolish medical debt in a manner that minimizes the effect on the eligible resident's tax liability and may not seek payment from an eligible resident for their medical debt. The bill also excludes from the calculation of state income tax any amount of a taxpayer's indebtedness discharged under the bill.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the state fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

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1 organization that is experienced in locating, purchasing, and abolishing medical
2 debt for individuals to do all of the following:

3 (a) Identify eligible residents.

4 (b) Review the medical debt accounts of each commercial debt collection
5 agency or health care provider willing to sell the medical debt accounts of eligible
6 residents.

7 (c) Conduct outreach with health care providers about the benefits of
8 abolishing medical debt under this section. The department or nonprofit
9 organization shall first conduct the outreach under this paragraph with safety-net
10 hospitals, as determined by the department.

11 (d) Negotiate and purchase the medical debt of eligible residents from
12 commercial debt collection agencies and health care providers. The department or
13 nonprofit organization shall prioritize negotiating and purchasing medical debt
14 under this paragraph from health care providers for which a large percentage of
15 their patient population receives Medical Assistance and health care providers that
16 are located in zip codes that are disproportionately affected by medical debt.

17 (e) Abolish the medical debt purchased under par. (d) in a manner that
18 minimizes the effect of the medical debt abolition on the eligible resident's tax
19 liability.

20 (f) Within 60 days of abolishing an eligible resident's medical debt, notify the
21 eligible resident that they no longer owe that medical debt to the applicable
22 commercial debt collection agency or health care provider.

23 **(3)** The department or a nonprofit organization that contracts with the
24 department under sub. (2) may not attempt to seek payment from an eligible

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1 resident for medical debt purchased by the department or nonprofit organization
2 under sub. (2) (d).

3 (4) Beginning on the first day of the 13th month beginning after the effective
4 date of this subsection ... [LRB inserts date], the department shall annually report
5 to the governor and the appropriate standing committees of the legislature under s.
6 13.172 (3) all of the following for the previous year:

7 (a) The dollar amount of medical debt abolished under this section.

8 (b) The number of eligible residents whose medical debt was abolished under
9 this section.

10 (c) The demographic characteristics, including race, ethnicity, income level,
11 zip code, and insurance status, of the eligible residents whose medical debt was
12 abolished under this section.

13 (d) The number and characteristics, including geography and payor mix, of
14 health care providers from whom medical debt was purchased and abolished under
15 this section.

16 (END)