



**Testimony before the
U.S. Senate Committee on Banking, Housing, and Urban Affairs**

Regarding

Economic Impact of the Growing Burden of Medical Debt

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Submitted by

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Good morning, Chairman Brown, Ranking Member Toomey and members of the committee. Thank you for the opportunity to speak on the important issue of medical debt this morning.

My name is Emily Stewart, I am the executive director of Community Catalyst, a national non-profit organization with a mission to build the power of people to create a health system rooted in race equity and health justice and a society where health is a right for all.

While great progress has been made in expanding access to coverage and care since passage of the Affordable Care Act, more must be done to expand comprehensive coverage and make care affordable. 30 million Americans remain uninsured¹ and many insured individuals face high deductibles and copayments if illness or injury strikes. When a person's medical bills exceed what they can pay, they are saddled with medical debt. There are many sources of medical debt, with the largest share arising from emergency room visits, hospitalizations, dental care, and diagnostic tests like x-rays and MRIs.²

U.S. Census Bureau data estimate that 17 percent of U.S. households held at least \$195 billion in medical debt in 2019.³

Who has medical debt? To start, the uninsured. More than one-third of people with no insurance have medical debt. Many of them are living in states that have not expanded Medicaid. People in these states also have a greater number of accounts being sent to collection when compared to residents of Medicaid expansion states.⁴

Additionally, 22 percent of insured people have outstanding medical bills.⁵ This means just about anyone is at risk of incurring medical debt, especially as insurance deductibles, copayments and coinsurance increase year after year.

Some people are at greater risk. As a result of discriminatory barriers to affordable coverage and care, there is a disproportionate effect on people of color, with nearly 27 percent of Black households and just under 19 percent of Latinx families having medical debt.⁶ In addition, households with income of less than 133 percent of the federal poverty level are more likely to have problems paying medical bills. Families in households with children are far more likely to have medical debt than those with no children in the household. Families in which a member has a disability are nearly twice as likely to have medical debt as those families in which no family member has a disability.⁷

Medical debt problems result from inadequate insurance, complicated insurance claim procedures and opaque billing and collection systems. People with medical debt often are forced to exhaust their savings to pay for medical bills, and consequently reduce their spending on food, clothing, and other household items, borrow money from friends or family members, or take on additional debts.⁸ 37 percent of people with medical debt or billing problems used up all their savings to pay their medical bills, 31 percent took on new credit card debt, and 11 percent took out a mortgage against their home or took out another type of loan to pay their medical bills.⁹

Many others saddled with high medical debt delay needed care to avoid incurring more bills.¹⁰ The implications of this problem were made obvious over the past two years, as we have

encouraged people to seek testing and treatment for COVID-19. Living with outstanding medical bills also creates health problems, causing stress that can lead to poor physical and mental health.¹¹

How do people hold debt? We know that medical debt comes in various forms: money owed directly to hospitals and providers; bills owed providers that that are being pursued by third-party collection agencies; payments for care that has been charged to credit cards; loans from companies that specialize in financing medical debt; and medical accounts that have been purchased by debt buyers. Unfortunately, we do not know precisely the amount of debt in these different categories.

Some medical debt is masked as credit card debt. Several studies have found that one-third of those with credit cards have ongoing credit card debt because of medical bills.^{12&13} Analysis of payment patterns conducted by the JP Morgan Chase Institute illustrates the lingering effects of medical debt. They found that younger families are more likely to take on revolving credit card debt and older adults have elevated levels of credit card debt one year after making a medical payment of \$1,500 or more.¹⁴

In recent years we have seen a growing number of financial service firms that partner with providers on loans or payment plans. There are medical credit cards, often with high interest rates.¹⁵ Other companies claim to partner with hospitals or providers to offer flexible low-interest patient loans.¹⁶ Some issue patients a healthcare payment card to be used at any time for health-related expenses.¹⁷

Who owns medical debt? Who holds the debt can make a huge difference in whether a person's medical bill problem is alleviated or aggravated. Many hospitals and providers offer extended payment plans, with no interest, directly to their patients. Non-profit hospitals are obligated to provide charity care or financial assistance, but many people are unaware of these programs. The Washington State Office of the Attorney General recently filed lawsuits against two Washington hospitals alleging that employees were trained using scripts that gave patients the impression that they were expected to pay for their care, failing to notify them that they were eligible for financial assistance.¹⁸

There are many stories we could share; here are two from partner organizations.

This story is from our Illinois partners (Illinois Coalition for Immigrant and Refugee Rights, Mujeres Latinas en Acción, Southwest Suburban Immigrant Project, Mano a Mano Family Resource Center, Legal Council for Health Justice and Enlace Chicago) – A non-citizen patient with work authorization, became ill with COVID-19 complications, was rushed to the emergency room and billed \$11,798. The hospital denied the patient any financial assistance even though state law should have permitted the patient a full discount, and federal assistance programs were in place for COVID-19-related services. The patient paid over \$1,000 out-of-pocket over a few months out of fear that the bill would impact his immigration status and ability to buy a home.

And this story is from our New Mexico partners (New Mexico Center on Law and Poverty, Casa de Salud and Forward Together) – A pregnant patient was told the cost to deliver a baby was \$10,000, but she was never informed of financial assistance or Medicaid options. Instead, she planned to sell her personal belongings until a family member got involved and helped her apply for Medicaid. She later received a bill for an ultrasound. A nurse told her it should be covered, but the unpaid bill showed up on a credit check three years later, which severely damaged her ability to buy a house.

For many people, the headaches begin when bills are sent to third-party collection agencies. These agencies are paid a percentage of the debt they collect. They typically report the accounts to the credit bureaus and, if not paid promptly, pursue legal action.

Private equity firms are also getting into the medical bill collection space. These companies are investing heavily in updating and scaling their collection services through technology. It is reported that there has been a surge in demand from hospitals for their services and that these companies are very profitable and attractive for investors.¹⁹ This will likely make it even more difficult for patients to negotiate reasonable payment plans directly with their local hospitals and providers.

Is the debt even owed? Medical debt can ruin an individual's credit rating. Research from the Consumer Financial Protection Bureau (CFPB) found that 58 percent of collection accounts on credit reports are medical bills. These accounts are reported by third-party collection agencies; they often lack accurate or updated information from the original health care provider. While the CFPB estimates that \$88 billion in medical collections sit on consumer credit reports, other estimates range from \$81 billion to \$140 billion.²⁰

Many medical collection amounts are fairly low-dollar value. Sadly, a high proportion of reported accounts are for disputed bills. Analysis of collection complaints submitted to the CFPB found that nearly two-thirds (63%) of complaints assert that either the debt was never owed, not verified as the consumer's debt, already paid, or discharged in bankruptcy.²¹ One complainant stated that "that agency had me served with court papers... for medical bills. They had already been paid in full by my insurance company." Another said the collector "garnished my husband's check for almost \$300 for bills we did NOT owe!"

CFPB research has found medical collections are less predictive of future consumer credit performance than non-medical collections. This has been acknowledged by the credit scoring industry and has resulted in changes to some scoring models. These revised scoring models either give less weight to medical collections or ignore paid collections when calculating scores. Given this, we welcome the CFPB's investigation of whether medical collections should be eliminated from credit reports altogether.

What are debt collection practices? Third party collection agencies, acting on behalf of hospitals and other providers, often pursue lawsuits. Legal actions include garnishing wages, putting liens on patients' homes and bank accounts, and even issuing civil arrest warrants for people who do not comply with repayment terms.

Numerous press reports have detailed people having their wages garnished or bank accounts frozen.²² One report found that more than one-quarter of the top 100 hospitals, based on patient revenue, sued patients for medical bills between 2018 and 2020.²³ In New York state, 55 hospitals had sued over 4,000 patients since the pandemic began, including the state's largest health system, which sued more than 2,500 patients during this time period.

For-profit hospitals have also been aggressive in using lawsuits to collect from patients. Despite receiving \$700 millions of dollars in COVID-19 relief funds, one for-profit chain filed thousands of lawsuits against patients struggling to pay their bills. In the early days of the pandemic, they garnished the wages of one patient making roughly \$850 a month for a \$9,000 bill resulting from an emergency visit due to food poisoning that had occurred two years before.²⁴ Even publicly owned, governmental hospitals, took legal action, with one West Virginia hospital being responsible for close to 18,000 lawsuits.²⁵ Early on in the pandemic in 2020, one family was surprised that their debit card was declined while purchasing groceries. They later learned that their bank account was locked due to medical debt owed to a hospital.²⁶

It may be shocking to learn that people can even end up going to jail due to medical bills. Yes, medical debtor prison is a possibility. One Kansas family incurred \$70,000 in bills from their son's leukemia treatment and the mother's seizures related to Lyme disease. After the father missed a court appearance about these bills, and was unable pay bail set at \$500, he was sent to jail.²⁷ In an incident from another Kansas hospital, a women spent six hours in jail, paying a \$250 bond, which went toward the judgement obtained for her medical bills. A lawyer then warned that if the judge issued another warrant for her arrest, bond the next time would be set at \$500.²⁸ An Idaho woman, who was unaware that she owed \$950 from care received years before, only learned of it when deputies arrived at her door. "They handcuffed me and took me down to the jail to put me in booking." They held her briefly until reaching the collection attorney who worked out a \$20 per month payment plan, as the woman didn't make enough money for her wages to be garnished. She said it was the first time she had ever been to jail and that she was terrified.²⁹

Recommendations

1. Extend Medicaid coverage to protect residents of states that have not yet expanded Medicaid.
2. Strengthen non-profit hospital Section 501r protections to prohibit wage garnishments and liens on primary residences, require more generous financial assistance and extend protections to include the services of any provider of care in a hospital or health system.
3. Extend Section 501r protections to for-profit hospitals and health systems.
4. Promote cross-agency collaboration to facilitate patients' access to insurance coverage and financial assistance programs of health care providers.
5. Provide funding to state consumer assistance programs to assist people in identifying coverage and resolving medical debt problems.
6. Encourage the Department of Health and Human Services to:

- a. Include a requirement in the No Surprises Act (NSA) final rule that providers must screen uninsured patients for public insurance programs and hospital financial assistance in addition to providing good faith estimate of the cost of services.
- b. Monitor the NSA implementation to ensure that patients are not billed, nor coerced into paying amounts exceeding those allowed under this law.
7. Extend protections through funding COVID-19 testing and treatment for uninsured people.
8. Establish an ombudsman office within the Consumer Financial Protection Bureau to resolve complaints involving medical collections and credit reporting and require the office to issue annual reports.
9. Support the CFPB's actions to:
 - a. Hold credit reporting companies accountable for having reasonable procedures in place to assure that medical debt information is accurate and taking action against furnishers who report inaccurate information.
 - b. Conduct additional research on medical billing collection practices and their impact on patients and families.
 - c. Determine whether policies should be implemented to eliminate unpaid medical billing data on credit reports altogether.

Thank you for the opportunity to testify and I welcome your questions.

¹ Kenneth Finegold, Ann Conmy, Rose C. Chu, Arielle Bosworth, and Benjamin D. Sommers. Trends In the U.S. Uninsured Population, 2010-2020. ASPE, February 11, 2021.

<https://aspe.hhs.gov/sites/default/files/private/pdf/265041/trends-in-the-us-uninsured.pdf>

² Kaiser Family Foundation/New York Times Medical Bills Survey (conducted August 28-September 28, 2015) <https://www.kff.org/wp-content/uploads/2016/01/8806-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey.pdf>

³ Kaiser Family Foundation (2022). The burden of medical debt in the United States. <https://www.kff.org/health-costs/press-release/1-in-10-adults-owe-medical-debt-with-millions-owing-more-than-10000/>

⁴ Raymond Kluender, Neale Mahoney, Francis Wong and Wesley Yin. Medical Debt in the US, 2009-2020. JAMA. 2021; 326(3):250-256. doi:10.1001/jama.2021

⁵ Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2020

<https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/looming-crisis-health-coverage-2020-biennial>

⁶ U.S. Census Bureau, Survey of Income and Program Participation, Survey Year 2020

⁷ U.S. Census Bureau (2021). <https://www.census.gov/library/stories/2021/04/who-had-medical-debt-in-united-states.html>

⁸ Peterson-KFF Health System Tracker (2022). Many households do not have enough money to pay cost-sharing in typical private health plans. <https://www.healthsystemtracker.org/brief/many-households-do-not-have-enough-money-to-pay-cost-sharing-in-typical-private-health-plans/>

⁹ Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2020

<https://www.commonwealthfund.org/publications/issue-briefs/2020/aug/looming-crisis-health-coverage-2020-biennial>

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- ¹³ Demos (2007). Borrow to Stay Healthy: How Credit Card Debt Is Related to Medical Expenses. https://www.demos.org/sites/default/files/publications/healthy_web_0.pdf
- ¹⁴ Coping with Costs (Feb 2021), JP Morgan Chase Institute <https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/institute/pdf/institute-coping-with-costs-report.pdf>
- ¹⁵ <https://www.carecredit.com/faqs/#whatisarecredit>
- ¹⁶ <https://www.myaccessone.com/Home/Faq>
- ¹⁷ <https://payzen.com/>
- ¹⁸ <https://www.atg.wa.gov/news/news-releases/ag-ferguson-files-lawsuit-against-swedish-other-providence-affiliated-hospitals>
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