

Seeing Red

The Rising Costs of Care And a Failing Economy Drive More Americans Into Medical Debt

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Pummeled by a deepening recession that is demolishing jobs and family finances, more Americans are struggling to pay their medical bills.

For years a booming economy camouflaged the burden of medical debt. Patients borrowed against their homes or whipped out credit cards, including some specially designed to pay medical or dental bills. But falling house prices and tightening credit have eliminated those options for many.

As a result, the problem of medical debt is climbing the income scale, affecting not just the poor or the uninsured. Millions of Americans covered by health insurance are paying more for less -- fewer benefits, higher co-pays and additional deductibles -- and are at risk for large out-of-pocket bills when serious illness or injury strike.

"People who are underinsured end up facing almost identical problems as the uninsured," said Karen L. Pollitz, director of the Health Policy Institute at Georgetown University. "The difference is, they paid for the privilege."

Medical debt is likely to figure prominently in the looming national debate over reforming health care.

Jim Eyler, 57, of Westminster, Md., says he needs help. The cement company manager said he spends about 33 percent of his take-home pay on unreimbursed medical bills, many connected with the advanced breast cancer his wife has been battling since 2005. "I keep wondering, where's the money going to come from?" he asked.

Experts define the underinsured as those forced to spend at least 10 percent of their income on health care, excluding premiums. But the nonprofit Center for Studying Health System Change found recently that financial pressures on families increase sharply when out-of-pocket spending on medical bills exceeds 2.5 percent of family income. New York's Commonwealth Fund has reported that 72 million adults under age 65 had problems paying medical bills or were paying off medical debt in 2007, up from 58 million in 2005. Many had insurance, and 39 percent said they had exhausted their savings paying for health care.

"There's every reason, given what's been going on, to expect the situation has gotten worse" as the economy has deteriorated, said the study's co-author, economist Sara R. Collins.

Unlike other forms of consumer debt, such as a mortgage or installment payments on a plasma TV, medical debt is typically involuntary and unplanned, the result of necessity, not desire. Consumers can't shop around for the best deal on an angioplasty or the cheapest hospital, nor in many cases can they delay treatment. Often they are forced to make decisions at their most vulnerable, because they or a loved one is sick, injured or dying.

Medical debt can quickly snowball. Consumers with unpaid bills can wind up in court defending themselves against lawsuits filed by doctors and hospitals, which typically charge the uninsured full price for care, without the hefty discounts negotiated by health plans. Debtors' wages can be garnished, liens can be placed on their homes, and their future job and housing prospects torpedoed by bad credit ratings.

Those who charged medical expenses to a credit card can find that missed or late payments result in an interest rate that zooms retroactively to 29 percent.

Ironically, many people don't know that they are eligible for low-cost or free care, as Howard County officials recently discovered when they tried to register 1,100 residents in a new program, only to find that most already qualified for existing benefits but had not enrolled.

Embarrassed by unpaid bills and fearful of accruing more, many such patients postpone care until they are sicker and their illnesses are more difficult and expensive to treat.

Sheila Bell-Clifford of Alexandria has been uninsured since August, when her husband lost his job and with it their health insurance while he was being treated for metastatic cancer. She has stopped going to the doctor for treatment of her severe diabetes and skips pills, although complications landed her in the hospital two years ago. "I have to juggle them," she said of her medications, "because if I run out I'm in worse shape."

The nexus of the growing problem of medical debt and the inauguration of a sympathetic president may buoy prospects for overhauling health care, one of the top priorities of the incoming administration.

During the campaign, President-elect Barack Obama talked about his mother, who died of ovarian cancer in 1995 at 53. "In those last painful months, she was more worried about paying her medical bills than getting well," he said. Obama has said he supports creating an exemption for medical debt in stringent new bankruptcy laws.

Tackling the problem on a national level will involve replacing the mystifying welter of insurance plans with a standard, comprehensive benefits package that limits consumers' exposure to out-of-pocket costs, some experts say. Currently "there are no real standards for plans, so there are an infinite number of options," said Mark Rukavina, executive director of the Access Project, a Boston-based research and advocacy group that focuses on medical debt.

Transparency is also important, Rukavina said. Insurance policies are typically written in "intentionally confusing and unclear" language that can make it virtually impossible for consumers to figure out what is covered and how much they owe.

Economist Thomas P. Miller of the American Enterprise Institute, a conservative Washington think tank, said he believes the problem of medical debt has been exaggerated and is a symptom of the broader economic crisis. The solution, he said, should not be "to kill people with kindness" by requiring an overly expansive and expensive benefits package that could "preempt the use of resources for other purposes."

Unwilling to wait for federal action, a handful of states, most notably Massachusetts, have passed laws designed to expand health coverage or to protect medical debtors. An Illinois law passed last year caps rates that hospitals can charge the uninsured, while a New York statute bars foreclosures intended to pay off medical bills.

For now, Althea Saunders-Ranniar, a financial coach at the Bon Secours of Maryland Foundation, a nonprofit that works with low- and moderate-income residents of Baltimore, predicts that unraveling medical bills will consume an even larger part of her workday. "Everyone I see has medical debt," she said.

Many of her clients receive one bill from a hospital and five or more from physicians or labs, each of which she must parse and, possibly, negotiate. "It becomes very difficult to figure out," she said.