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Medical Debt Undermines Housing Security For Working Families, New National Study Shows

The Access Project Reveals Another Financial Consequence of Medical Debt Among
The Uninsured and Even The Insured

(BOSTON, November 9) In a new analysis of the financial consequences that can strike those in the U.S. with health care bills they cannot pay, the Boston-based Access Project released a report today showing that medical debt is becoming a threat to homeownership or housing stability for many American working families, including those with health insurance.

“Like other research done in this area, we found a high prevalence of medical debt in our study; 46% of respondents had medical debt, and more than half had health insurance when they incurred the debt,” said Access Project Policy Director Robert Seifert. “The big surprise was that having health insurance did little to protect people from housing difficulties — one fifth of those with insurance reported housing problems.”

Brandeis University researchers worked with The Access Project and local research partners on the study. “In a surprisingly clear way these data document how often medical debt hinders access to housing and home ownership among working families,” noted Brandeis research professor Jeffrey Prottas, who developed and analyzed the survey. The researchers surveyed nearly 1,700 individuals and families at taxpayer assistance centers in seven cities.

Among these taxpayers, the survey found that more than a quarter of those with medical debt reported having housing woes. The most commonly reported was the inability to qualify for a mortgage; others included the inability to pay rent or monthly mortgage bills. Less frequently reported problems included losing a home to foreclosure, and eviction.

The Access Project’s Seifert said changes in health insurance products will most likely exacerbate the problem of medical debt. “As American families with health insurance struggle with higher deductibles and copayments, it is logical that many will wind up with a level of debt they simply cannot pay. And that will spill over into housing problems.”

That will come as no surprise to many housing counselors. “We counsel working families struggling to meet their housing needs. Medical debts are often a part of that struggle,” said Pam Carmichael, the Executive Director of Home Opportunities Made Easy (HOME, Inc.) in Des Moines, a housing and financial counseling agency. “But we didn’t know how widespread that was,” she added. “To see this problem documented in cities across the country is discouraging,

but not surprising. Some of these families have two adults working in good jobs with health insurance. It seems that anyone could wind up in this situation.”

The Access Project’s report noted that any threat to a family’s housing security – such as the inability to qualify for a home loan or save a home from foreclosure -- carries serious implications. Being denied homeownership prevents asset development that is crucial to economic advancement, especially for working families, whose only significant asset typically is their home.

“This report reveals that a new level of financial disaster may be lurking for working Americans, even those with health insurance,” Access Project Executive Director Mark Rukavina said. “Medical debt is staking a claim on the American dream of homeownership. It can destroy a family’s ability to obtain or keep its home, and threaten the stability of the family at a time of sudden illness and terrible crisis.”

The Access Project also examined the problems that stem from medical debt becoming part of one’s credit record. Families saddled with unforeseen health problems and thousands of dollars in unpaid medical bills then face an added problem, the report notes—ruined credit that prevents or complicates every other economic move, whether it is securing a mortgage, renting an apartment, getting a car loan, or even applying for a job.

Including medical debt in credit reports also appears to vastly increase the likelihood of housing problems. Researchers found that 40% of those who knew medical debt was on their credit record reported having housing woes. The incidence of housing problems rose to 60% among those who had been sued for medical debt.

“The bottom line is that our health insurance system is failing in many instances to fulfill its fundamental purpose, protecting American families from the catastrophic effects of large medical bills,” Seifert added. “And the ripples of that failure can persist into the next generation.”

Housing, credit counseling and community advocacy agencies in the survey’s seven sites (Des Moines, IA; Phoenix, AZ; St. Louis, MO; Tulsa, OK; Bridgeport, CT; Providence, RI; and Palm Beach County, FL) partnered with The Access Project on the study. Survey respondents were drawn from wage-earners applying for the Earned Income Tax Credit at taxpayer assistance centers.