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Home Sick How Medical Debt Undermines Housing Security

PRESS STATEMENTS

Robert Seifert, Policy Director of The Access Project

Welcome. I am Robert Seifert, Policy Director of The Access Project. The Access Project is a national resource center for groups seeking to expand or improve access to health care in their communities.

Thank you for joining us at today's press conference for the release of our report, *Home Sick: How Medical Debt Undermines Housing Security*. I will provide some background for the report, introduce our five presenters who will speak for two to three minutes each, and then open up the line for questions.

As health care costs have escalated and health care coverage eroded in recent years, The Access Project and other organizations have begun to explore the question of medical debt, its prevalence in the population and its effect both on access to health care and on families' broader financial well-being. Today's report is a continuation of that effort, and focuses on a specific issue, central to people's lives: the relationship between medical debt and the ability to secure or maintain housing.

With funding from the W.K. Kellogg Foundation, the Annie E. Casey Foundation, the Missouri Foundation for Health and the Quantum Foundation, we partnered with local organizations to survey working adults about their experience with medical debt and whether the debt has affected their housing circumstances. The report is based on the findings of this survey.

We learned from this survey, as we have learned before, that medical debt is common. We also learned of effects from medical debt that have not yet been fully explored, such as barriers to home ownership; damaged credit making it more difficult to borrow money, rent a home, or get a job; unmanageable debt forcing people to give up their homes or otherwise alter their living conditions. We learned 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.

Medical debt is a special kind of consumer debt – it is usually unplanned and acquired involuntarily, at a time of great personal vulnerability. It is usually not indicative of general creditworthiness. You might say that the credit and housing burdens it brings amount to a kind of "sickness tax" that is disproportionate to the often modest levels of debt. It surely cannot be anyone's intent to impose these burdens on people who simply seek services to meet their health care needs.

Closing Statement

Let me briefly conclude by pointing out some of the areas where changes could relieve some of the hardships we have heard about today.

First, medical providers—hospitals, as well as doctors and others—can help to solve the problem by not creating as much medical debt in the first place. Promising new billing, collection and repayment policies that have emerged from a few providers can be replicated throughout the system.

Second, insurers and employers must see that health insurance policies adequately protect families from excessive financial exposure. In an era of increasing popularity of high deductible, so-called “consumer-driven” health plans, standards for adequacy must go hand-in-hand with coverage.

Third, lenders, creditors, credit bureaus and regulators should consider ways to prevent medical debt from tarnishing credit records, including rules to prohibit medical providers and their agents from reporting medical debt to credit agencies.

As we learn more about the damaging effects of medical debt, it will be up to these actors, and to all of us, to reform systems so that our financial health does not suffer unnecessarily as we protect our physical health.

Jeffrey Prottas, professor of public policy at the Florence Heller Graduate School of Brandeis University

My name is Jeffrey Prottas and I am a professor of public policy at the Heller Graduate School of Brandeis University. I have worked as the Research Director for the Access Project for the last seven years and helped to develop and analyze the data we are reporting today.

These data were gathered between January and April of 2005 at Volunteer Income Tax Assistance sites in seven cities across the nation. These sites provide tax help to working families with incomes under \$36,000, many of whom claim the Earned Income Tax Credit. Just under 1,700 surveys were completed.

These data tell several stories about the scale of medical debt among working families and the detrimental impact of that debt on the ability of those families to obtain or maintain housing.

First, the survey found that Medical debt is widespread among working families. Almost half of the respondents reported owing money to medical providers and this did not vary greatly by ethnicity or income. Perhaps most surprising was that families with health insurance were as likely as the uninsured to have medical debt and to report that their medical debt led to housing problems. This suggests that in many cases health insurance is not fulfilling its primary purpose of financial protection.

The report focuses on the housing impacts of medical debt because shelter is so basic a need and because home ownership is so central to the financial security of the American middle class.

Over one-quarter of families with medical debt reported at least one housing related problem. The largest single problem reported (11%) was an inability to qualify for a mortgage. A close second was a reported inability to afford housing, either rent or mortgage payments. Significant percentages had rental applications rejected, were forced to move or had to neglect home maintenance.

Even families with relatively small debts suffered these effects. About 28% of those with debt owed less than \$500. (Although almost 16% had debts in excess of \$5,000.) The longer a family had debt the more likely that the debt would hinder their access to housing.

The survey data also suggest that medical debt's impact on a family's credit status is a primary mechanism for causing housing problems. Families whose credit reports contained information on the medical debt were twice as likely to have housing problems as those with reports that did not contain that information. Almost half of our sample, however, did not know what was on their credit report. This indicates that many have not yet tried to access credit and so have not felt the full impact of a poor credit rating caused by medical debt.

Finally, we should note that medical debts may appear in credit reports in disguised ways. Medical bills may be paid for by credit card and so would not appear as medical debt; this is generally true of pharmaceuticals and sometime true of bills from other providers. In addition, the medical origin of bills sent to collection agencies is not always transparent. Therefore these data, in common with data from other studies on medical debt, systematically underestimate the problem.

Lynnette Swartz

My name is Lynnette Swartz. My family and I live in Freeman, MO. My husband and I have a small farm where we raised two of our six children. My husband had a small printing company and I've worked for JCPenney for 28 years where I am still employed.

In March 2003 my husband was diagnosed with Stage 3B lung cancer that eventually spread to his brain and liver. My husband passed away on February 20, 2005 at home. Over the two years of his illness, we accumulated thousands of dollars in medical bills even though we were insured. We had coverage through United Healthcare. Rob was self-employed and we had very little savings when he became sick, so he worked part-time up until his brain surgery in October 2004 which left him paralyzed on his right side. We initially bought our home from my in-laws with the idea that in 5 years we would get a bank loan to pay them off. However, with Rob's illness we were not able to. We were not able to make any mortgage payments for one year. And my in-laws are still carrying the note for me.

We were left with \$9000 in deductibles and co-pays to pay, which I am still paying on. Because of this, we were not able to make our mortgage payments in 2004. If not for the patience of my in-laws, we would have lost our home. It would have been especially difficult for my husband. He knew that he was dying and it was important to him to know that we would have a home.

I don't think the healthcare and insurance industry should expect ordinary citizens like me to sacrifice everything in life to pay the astronomical costs of care especially your ability to afford a place to live.

Pam Carmichael, Director of HOME, Inc.

I am Pam Carmichael, Director of HOME, Inc, Des Moines' oldest private non-profit housing agency. Our mission is to create opportunities for quality, affordable housing. Since 1967 we have counseled thousands of families that encounter housing problems.

Through our homeownership counseling we help working families overcome financial obstacles so they can purchase a home. In recent years we have noticed an increase in the numbers of our clients with medical debt. We have seen this in households with very low incomes and more moderate incomes, households with health insurance and those without, those with many debts or only medical debt. Medical debt can range from \$100 to \$15,000. To see this problem documented in cities across the country is very discouraging, but not surprising.

Recently our homeownership counselor met with a family of two working adults making \$40,000 a year. This is an income level, which should enable a family to buy a home in our part of the country. They have four children and are living in a run down 3 bedroom house they rent for \$700 per month. They began to realize they had bad credit when they were denied new rental housing by a couple of landlords. They came to us thinking they could get some assistance with credit issues and buy a home.

When our counselor pulled their credit report she was overwhelmed and so was the family. The credit report was 18 pages, consisting of 30 collections. 24 of those are medical debt totaling \$6,800. It will take this family years to eliminate this debt. Now they are pondering whether to declare bankruptcy or go to a predatory lender because of their medical debt.

Jessica Cecere, President of Consumer Credit Counseling Service

- Consumer Credit Counseling Service of Palm Beach County & the Treasure Coast of Florida is a nonprofit community service organization. For over 30 years, families have turned to CCCS for help in restoring their financial health. CCCS provides confidential budget counseling, money management education, debt management programs, comprehensive housing counseling and most recently bankruptcy counseling and education.
- Our community counseling experience has shown us that the consequences of medical debt are far reaching, even for fully insured families. At Consumer Credit Counseling Service we find that almost 40 percent of households seeking credit counseling identify medical debt as a contributing factor to their declining financial health. The numbers increase for households headed by a single female and for senior consumers.

- As confirmed by the Access Project survey, the housing impact caused by medical debt is staggering. We work with clients every day who cannot qualify for mortgage loans, who are struggling to pay their mortgages, or who are unable to rent a house or apartment as a result of credit problems due, in part, to medical debt. Our counselors often see clients that are in mortgage default due to medical debt problems.
- Medical expenses create financial hardship in various ways. Tending to healthcare needs generates out-of-pocket expenses for consumers and may limit a person's ability to work. Of CCCS clients who cite medical debt as part of their debt problem, about one-third say they were left with significant medical bills; close to half report that medical problems have limited their ability to work; and one in four are impacted by both medical bills and work limitations.
- Lastly, CCCS sees consumers that are often pressured to repay medical expenses, and without available funds for unforeseen expenses, consumers often turn to credit cards or personal loans to meet those obligations. In effect, they are exchanging the medical debt for long-term debt, which generally results in higher interest rates, in excess of 18%. When you factor in these higher rates, it can double or even triple what they owe in the long run.

Nancy Cantor

Being a member of the "sandwich generation"—and having raised a family and cared for aging parents at the same time—I have been keenly aware of the growing problems with healthcare insurance. It really struck home when my family went through several tragedies beginning in February 2001, culminating with me being diagnosed with colon cancer three days before Christmas in 2002.

While I was covered by my late husband's insurance through his employer's retirement program, there were co-pays and out of pocket expenses for dietary needs because of my colon cancer and chemotherapy. Of course I also had regular monthly payments for mortgage and household expenses that quickly ate away at any savings.

On top of all of that I was caring for my mom who suffered from dementia, depression, vascular disease and deterioration of the retina. It became a full time job for me after I lost my job in 2002 due to the impacts of 9/11.

But while I was undergoing surgery and chemotherapy, I was not able to safely care for my mother and had to place her in a nursing home. The costs that arose as I tried to get her processed into a state funded long term care program mounted quickly and I was unable to stretch the dollars to cover everything. I began making my mortgage payments—and my utility payments—later and later each month.

A friend who knew what I was going through advised me to declare bankruptcy, but I could not afford to file the paper work.

My house almost went into foreclosure. But another friend offered to buy it in such a way that my late mortgage payments would not appear on my credit report. I still have late medical payments to deal with, as well as unpaid expenses from my mom's care. I moved in with my son for a while and then stayed with friends who lived closer to my job when I went back to work in 2004. I now live with my sister and niece, and sleep on the couch because they are closer to transportation and I can't yet afford to get a place of my own to live in.