



The Consequences of Medical Debt

Evidence from Three Communities

EXECUTIVE SUMMARY

February 2003



Comité de Apoyo de Inquilinos y Trabajadores
Tenants' and Workers' Support Committee



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Medical debt resulting from needed medical care appears to have serious and long-term effects for individuals and families. For the past year, five partners have worked in three communities to understand the problem of medical debt in terms of how widespread it is and how it affects individuals and families. The five partners are:

- Champaign County (IL) Health Care Consumers
- Human Services Coalition of Miami-Dade County (FL)
- Tenants' and Workers' Support Committee/Comité de Apoyo de Inquilinos y Trabajadores (Alexandria, VA)
- The Access Project
- The Schneider Institute for Health Policy at Brandeis University

The project focused on the very poor and their access to hospital care. We gathered information through interviews with representatives of institutions that serve populations with medical debt, either providing health care services, collecting bills, or providing legal and financial counseling.

We also conducted interviews with individuals who have medical debt. Our preliminary work suggests that hospitals are establishing increasingly aggressive collection policies to pursue payments from patients, regardless of a patient's ability to pay or the magnitude of the debt owed. Medical debt may also be a significant factor in individuals and families seeking credit counseling and filing for bankruptcy. Many of the low-income people we interviewed are adversely affected by medical debt in terms of their access to health care, their overall financial status, their housing and employment, and their material and emotional well-being.

SUMMARY OF KEY FINDINGS:

- Having health insurance does not always protect individuals from out-of-pocket medical bills they cannot afford to pay. In our survey of low-income individuals in three communities, respondents with and without insurance were struggling with comparable levels of medical debt.
- Confusing and multiple bills, and the challenge of understanding what is owed and to whom, add to the problem.
- Provider practices – requiring cash payment upfront, flatly refusing care or suggesting people use other sources of care – made it harder for many respondents with medical debt to access care with any regularity. Patients often responded to these practices by not seeking care or filling prescriptions, or otherwise not complying with treatment regimens.
- Health care providers seem to be adopting more aggressive collection procedures, including turning over their accounts to collection agencies 30 to 60 days after a missed payment (instead of a more customary 150 to 210 days) and encouraging patients to pay off their medical bills with credit cards, a practice

that burdens patients with not only large debts, but high interest payments as well.¹

- Many of the individuals we interviewed wanted to pay off their debt and had tried to negotiate payment plans, but found the terms of the plan very difficult to maintain given limited incomes and apparently inflexible hospital collection practices.
- Few respondents, in spite of very low incomes, were able to secure public assistance to defray the cost of their medical care. Many turned to family and friends for help, suggesting that communities may help relieve the burden of medical debt, but also share in it.
- Like other forms of debt, medical debt can have substantial financial consequences, including serious credit problems and, in extreme cases, personal bankruptcy. However, unlike other forms of debt, medical debt is often involuntary, the result of an event over which one has little or no control.
- Bankruptcy may offer a means to relief from medical debt and from the harassment of collection agencies and its attendant stress. This is particularly the case for the uninsured – people who are likely to have relatively fewer resources and be less able to make regular payments on their debt.
- Medical debt made it harder for respondents to achieve self-sufficiency; they were hindered in their ability to get a bank loan and other lines of credit, to save money, or to pay for basic goods and services.
- The effects of medical debt can be compounded if a health problem leaves a person unable to return to work. Because of the debt, people may be deterred from seeking the care needed to allow them to work. Job seeking may also be hindered by the fear of wage garnishments.
- Respondents told us that medical debt caused significant stress, anxiety and feelings of hopelessness. Medical debt can also be a source of embarrassment and shame, and many respondents were frustrated and angry that they were being financially punished for a medical event over which they had little control.

Health care is a business unlike most others. The customers are, by definition, in a vulnerable position by virtue of the medical problem for which they seek services. The providers of these services differ from sellers in most other markets because their product is essential and often life saving, and is governed by ethical responsibilities that exceed those that apply in typical commercial transactions. Purchases are often sudden and unplanned and, particularly for people without health insurance, may bring large financial burdens that are involuntary in the sense that they are not the result of a traditional consumer choice.

¹ According to the Association of Credit and Collection Professionals.

To be sure, health care services must be compensated. The uniqueness of the health care marketplace, though, as well as the health care and financial consequences that can result from large debts and aggressive pursuit of payment, argue for a posture of flexibility and accommodation of individual circumstances in negotiating and fulfilling payment arrangements.

The Access Project (TAP) is affiliated with the Heller School for Social Policy and Management at Brandeis University. It has served as a resource center for local communities working to improve health and healthcare access since 1998. The project receives its funding from a variety of public and private sources. The mission of TAP is to strengthen community action, promote social change, and improve health, especially for those who are most vulnerable. TAP conducts community action research in conjunction with local leaders to improve the quality of relevant information needed to change the health system. It seeks to enhance the knowledge and skills of community leaders to strengthen the voice of underserved communities in the public and private policy discussions that directly affect them.



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The Champaign County Health Care Consumers (CCHCC), founded in 1977, is a non-profit grassroots citizen action organization dedicated to the mission of health care for all. CCHCC is founded on the premise of participatory democracy and the belief that meaningful change in the health care system will come only with the active involvement of consumers. CCHCC works to bring a consumer voice and consumer-driven changes to the health care system through education, advocacy, and community organizing. CCHCC is a community-based organization with over 7,000 members working locally on issues of national importance. CCHCC's staff and its accomplishments have received national recognition, including The Robert Wood Johnson Community Health Leadership Program award. CCHCC has worked with The Access Project since 1999.



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Founded in 1996, the **Human Services Coalition of Dade County (HSC)** works to empower individuals and communities to create a more just society by promoting civic engagement, economic fairness and access to health and human services. At the heart of these efforts is a belief that families and communities will be strengthened through increased public awareness and civic involvement in improving systems of care. HSC is a membership-based coalition composed of over 6000 members, representing community groups, faith-based organizations, policy makers, businesses and individuals.



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The **Tenants' and Workers' Support Committee/Comité de Apoyo de Inquilinos and Trabajadores (TWSC/CAIT)** is a low-income community-based organization in Alexandria, Virginia. First organized in 1986 in response to the mass evictions of 5,000 low-income Latinos and African-Americans from local neighborhoods, the Committee's mission is to develop the collective power of low-income residents, workers, women, and youth, to challenge racism and sexism through direct action and education, and to promote social change, political leadership, and community ownership and control of resources through grassroots organizing in Northern Virginia. The Committee's Healthy Community program seeks to organize uninsured immigrant community members to improve access to health care in the City of Alexandria.



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