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NEW REPORT OUTLINES FAR-REACHING EFFECTS OF MEDICAL DEBT

Health access barriers and financial ruin result from involuntary medical debt

Americans with medical debt resulting from aggressive practices of health care providers face restricted access to health care, damaged credit status, and even financial ruin, according to a new study, *The Consequences of Medical Debt: Evidence from Three Communities*. The study is being released today by The Access Project, a resource center affiliated with Brandeis University that assists local groups working to improve access to health care. The study interviewed 89 people with medical debt in Champaign, Illinois; Alexandria, Virginia; and Miami, Florida.

The study uncovered the following:

- ✓ Health care providers refusing or delaying care because of money owed them for medical bills.
- ✓ Aggressive collection practices employed by health care providers, including bills being sent to collection agencies and interest fees that outstrip monthly payments.
- ✓ Denied mortgages, car or consumer loans, or employment due to medical debt.
- ✓ Medical debt is a significant factor in people seeking credit counseling services or filing for personal bankruptcy.
- ✓ Medical debt afflicts people with health insurance as well as those who are uninsured.

“We know about the financial strain that uncompensated care places on health care facilities,” said Robert Seifert, Policy Director of the Access Project and a co-author of the report. “There is a personal side to the equation, too. The cascading effects of bills patients receive for care they need but can’t afford can be devastating to people’s lives.”

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“I have been told by both a physician and hospital that I needed to pay some of my bill in order to be seen,” one study respondent said. Another reported “because [I] owe the hospital, it intimidates me to go and seek care for fear they will ask me to pay right there.” One third of the respondents said that a health care provider refused or delayed care because of money owed for medical bills. Two in five said that a provider had made them feel uncomfortable, embarrassed or ashamed because they owed money. Respondents had an average of about \$9,000 in unpaid medical bills with uninsured people owing slightly more (about \$10,020) than people with insurance (\$6,720). More than half of the respondents had debts of less than \$5,000, suggesting that relatively small amounts owed can lead to devastating results.

Many of the people interviewed remarked on the aggressive collection practices that health care providers employ when patients have outstanding bills. Three-fifths had been contacted by a collection agency, including one woman living in a domestic violence shelter. While most of the interviewees expressed a strong desire to pay their debts and many had in fact made payments, there is frustration at the difficulty of negotiating a payment plan that they could afford. One reported, “They demanded I pay a certain amount bi-weekly. I couldn’t afford it. They didn’t want to help. I don’t understand, I’m willing to pay, but it has to be as much as I can pay.”

Claudia Lennhoff of Champaign County Health Care Consumers, one of the partners in the study, sees this reality every day. “Consumers are being asked to stint on the necessities of basic living – food, shelter, utilities, prescriptions – in order to pay off a medical bill,” she said. “These shameful and devastating debt collections practices are ruining the financial lives and the health of individuals in our community.”

As with other types of consumer credit, medical debt often leads to more debt. Some respondents were encouraged to pay their medical bills with a credit card.

Health care providers may charge interest on outstanding medical bills. One person said, “I made a payment plan of \$50 per month but the balance never went down because they told me I was just paying the interest.”

Medical debt also makes it difficult to obtain additional credit on reasonable terms. Interviewees reported being denied mortgages, car or other consumer loans, and even loans to pay off medical bills, because of outstanding medical bills. Eighteen of the 89 people in the study had declared bankruptcy, and 15 reported that medical bills contributed to their need to do so.

“Families are cashing out their retirement plans, taking out second mortgages, and borrowing on credit cards to try to meet their health care needs,” said Elizabeth Warren, a Harvard University law professor and bankruptcy expert. “Even then, they can't cope with the bills, so they fall further behind each month. Some will lose their homes, and others will suffer judgments in court. This year alone, hundreds of thousands of families will file for bankruptcy seeking relief from the financial meltdown following an illness or accident.”

The Access Project research team worked with three community organizations to conduct the interviews: Champaign County Health Care Consumers, Tenants and Workers Support Committee (Alexandria), and the Human Services Coalition of Miami/Dade County. The interviews gathered information about the effects of medical debt on individuals and families, asking about access to health care, availability of consumer credit, housing, employment and overall quality of life. The three organizations will be using the findings of the study to support ongoing local efforts to change providers' and public policies that contribute to the damaging effects of medical debt.

Researchers also interviewed representatives of institutions and organizations in the three communities to get a sense of the magnitude of the problem of medical debt. These interviews reinforce the findings that medical debt is a significant contributor to overall debt and the financial and personal difficulties that often result from it.

A review of December 2001 bankruptcy filings in the Central District of Illinois found that more than half (58%) involved medical debt. Credit counselors in Champaign and Miami estimated that 10 percent of those seeking counseling do so primarily because of medical debt; a counseling agency in Alexandria reported 50 percent of cases had some medical debt.

The study was done under a grant from the Public Welfare Foundation. It builds on information contained in The Access Project's report, *Paying for Health Care When You're Uninsured: How Much Support Does the Safety Net Offer?*, published in January 2003.

The new study is provided as an attachment to this press release, and is also available on The Access Project's website, www.accessproject.org.