by Mark Rukavina
The Access Project

The Financial Burden of Health Care


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Escalating medical costs are threatening the nation's financial well-being and its health. With insurance premiums increasing 78 percent between 2001 and 2007 and wages by only 19 percent, American workers have felt the pinch. Few workers or their employers have been able to absorb premium increases comfortably, and for many people, coverage has been priced beyond reach.

Nearly 46 million Americans have no health insurance. The percentage of Americans who buy their health insurance through their employer has declined in recent years, and those who do buy it struggle with the cost. The average worker purchasing family coverage through an employer has experienced a doubling of the premium paid (from $1,620 in 2000 to $3,281 in 2007). Not only have costs increased, but coverage has been reduced. As strapped employers raise the amount that workers contribute to premiums, office visit co-payments, deductibles, and fees paid for prescription drugs have all gone up.[1]

Uninsured Adults Are More Likely To Be Paying Off Medical Debt
Adults ages 19 to 64 paying off medical debt over time

		Total	Insured all year	Uninsured anytime in past year	
				Insured now	Uninsured now
Percent with medical debt or bills being paid off over time?		28%	24%	39%	35%
How much are the medical bills that are being paid off over time?	under $2,000	51%	57%	46%	38%
	$2,000-$3,999	21%	20%	25%	22%
	$4,000-$7,999	12%	11%	11%	14%
	$8,000 or more	12%	9%	13%	20%
Was this for care received in the past year or earlier?	Past year	54%	57%	53%	43%
	Earlier year	37%	35%	37%	44%
	Both	8%	7%	9%	12%

Source: The Commonwealth Fund Biennial Health Insurance Survey (2007)

High health-care costs devour family budgets. In 2004, an estimated 45 million Americans lived in households that spent more than 10 percent of total income on health insurance premiums and out-of-pocket expenses. This was an increase of nearly six million individuals from 2001.[2] And in 2008, an estimated 72 million Americans reported that they were struggling to pay their medical bills or had medical debt that they were unable to pay.[3]

Medical Debt

Medical debt is personal debt or money owed for medical services or medical products. It may be owed directly to a health-care provider, to an agent of the provider, or to another source, such as a credit card company or other lender. For the past eight years, the issue of medical debt—a problem largely invisible to policymakers—has been documented and studied by a national organization called The Access Project.[4]

In 2000, this nonprofit group conducted a study with two dozen groups in dozens of communities across 18 states and found that nearly half of the uninsured had unpaid medical bills or debts to local health-care providers.[5] Since then, national data have been collected revealing how widespread medical debt has become.

More than one in four American adults under the age of 65 (28 percent, or 49 million people) have a medical bill or medical debt that is being paid off over time.[6] Although medical debt is most common among people without health insurance, the extent of the problem is broader. (See "Uninsured Adults Are More Likely To Be Paying Off Medical Debt.")

Twenty-four percent of Americans buying health insurance still incur debt—a serious public policy challenge. Even in Massachusetts, where health-insurance reform has successfully expanded coverage for hundreds of thousand residents, the financial burden is far from eliminated. The percentage of Massachusetts residents with medical debt is lower than seen nationwide, but a 2008 study showed that nearly one in five residents was trying to catch up on medical bills, and more than one in 10 adults did not receive needed care because they thought the costs were too high.[7]

Medical debt is a barrier to care. Privately insured adults with medical debt demonstrate nearly the same care-seeking behavior of the uninsured. Compared with those having insurance and no medical debt, they are more likely to skip a test or treatment, postpone care, or decide not to fill a prescription.[8]

Medical debt threatens other basic needs, too. In 2007, when an estimated 28 million American adults used up all their savings trying to pay off medical bills, nearly one-third of those with medical debt were unable to pay for food, rent, or heat, and a small percentage took out a mortgage or loan against their home to pay medical bills. Moreover, those with medical debt are often contacted by collection agencies, carry higher outstanding balances on credit cards, experience housing problems, and have difficulty accessing loans or credit.[9] Researchers examining personal bankruptcy filings have cited medical causes (loss of income and/or medical debt resulting from a medical incident) for nearly half of the filers.[10]

Debt Resolution Program

Several years ago, The Access Project developed the Medical Debt Resolution Program to assist people in resolving unpaid medical bills. The protocol involves giving people critical information and a framework for assessing whether relief from medical debt might be provided through private insurance, public programs, a health-care provider's charity care, or another form of assistance.

The program has proven very effective. Hundreds of people have been assisted and millions of dollars in medical debt have been resolved through payments from private insurance and public programs, provider discounts, and renegotiation of the outstanding balance payment terms into something more realistic. Recently, the number of people reaching out for help has climbed dramatically, providing a window into underinsured patients' current challenges—including handling the stress of potential economic ruin while trying to recover from an illness.

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Credit Reporting

Many Access Project clients have pulled their credit reports and found that medical bills are damaging their credit. One study on consumer debt and credit reporting published by the Federal Reserve found that more than one-half (52 percent) of collection actions are associated with medical bills.[11] Unsurprisingly, accounts in collection have a detrimental effect on credit scores. Once a health-care provider transfers bills to a collection agency, that agency is likely to report the account to the credit bureaus. Even after accounts have been paid off in full, the black mark can linger for seven years, lowering credit scores and increasing the consumer's cost of credit.

Consumer Protection

Consumers should not be punished for medical bills that, unlike many other forms of debt, are incurred involuntarily. What can be done? The new administration is considering health-care reform at the national level, and there may be an expansion of comprehensive insurance coverage that provides protections from financial ruin for Americans experiencing serious illness.

In the meantime, state and national regulators could take other steps to provide relief. For example, regulators could call on health-care providers to enact a credit-reporting holiday, during which providers and their collection agents would be banned from routinely reporting accounts to credit bureaus. Massachusetts Attorney General Martha Coakley's Community Benefit Guidelines for nonprofit, acute-care hospitals provide another approach. The guidelines will take effect in October 2009 and advise hospitals not to "report a patient's medical debt to a credit-reporting agency unless specifically approved by the hospital's board of directors."[12] A few health-care providers have voluntarily adopted such policies without significant financial cost. Other steps might include more effective regulation of health insurance products; and having providers screen patients for eligibility in public or private financial assistance programs.

America faces a health-care crisis in the midst of a credit crisis, and protections are needed for millions of struggling families. Regulators could help by acting to ensure that these families are not further compromised when facing simultaneous medical and economic challenges.

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Endnotes

[1] Gary Claxton, et al, *Employer Health Benefits: 2007 Annual Survey* (Henry J. Kaiser Family Foundation and the Health Research and Educational Trust, 2007), http://www.kff.org.

[2] Jessica Banthin, Peter Cunningham, Didem Bernard, "The Financial Burden of Health Care, 2001-2004," *Health Affairs* (January-February 2008).

[3] Sara Collins, Jennifer Kriss, Michelle Doty, Sheila Rustgi, *Losing Ground: How the Loss of Adequate Health Insurance is Burdening Working Families* (New York: The Commonwealth Fund, August 2008).

[4] The Access Project, http://www.accessproject.org, works to strengthen community action, promote social change, and improve health, especially for the most vulnerable.

[5] Dennis Andrulis, Lisa Duchon, Carol Pryor, Nanette Goodman, *Paying for Health Care When You're Uninsured: How Much Support Does the Safety Net Offer?* (Boston: The Access Project, 2003).

[6] Michelle Doty , Sara Collins, Sheila Rustgi, Jennifer Kriss, *Seeing Red: The Growing Burden of Medical Bills and Debt Faced by US Families* (Boston: The Commonwealth Fund, August 2008).

[7] Sharon Long, "On The Road to Universal Coverage: Impacts of Reform in Massachusetts Year One," *Health Affairs* web exclusive, June 2008.

[8] Catherine Hoffman, Diane Rowland, Elizabeth Hamel, *Medical Debt and Access to Health Care* (Washington: Kaiser Commission on Medicaid and the Uninsured, 2005).

[9] Collins, *Losing Ground*; Cathy Schoen, Michelle Doty, Sara Collin, Alyssa Holmgre, "Insured But Not Protected: How Many Adults Are Underinsured," *Health Affairs* (June 2005); Cindy Zeldin, Mark Rukavina, "Borrowing To Stay Healthy: How Credit Card Debt is Related to Medical Expenses," Demos (2007); and Robert Seifert, *Home Sick: How Medical Debt Undermines Housing Security* (Boston: The Access Project, 2005).

[10] David Himmelstein, Elizabeth Warren, Deborah Thorne and Steffie Woolhandler, "Illness and Injury as Contributors to Bankruptcy," *Health Affairs* web exclusive, February 2005.

[11] Robert Avery, Paul Calem, and Glenn Canner, Raphael W. Bostic, "An Overview of Consumer Data and Credit Reporting," *Federal Reserve Bulletin*, February 2003.

[12] The Attorney General's Community Benefits Guidelines for Non-Profit Hospitals, Office of Attorney General Martha Coakley,

[13] http://www.mass.gov/Cago/docs/healthcare/hospital_guidelines.pdf.