Hospital Medical Debt:
Trends, Implications, and Opportunities for Improvement

Anti-consumer practices, including denying or deferring care or taking legal action against patients due to medical debt, continue to be a major concern for patients navigating the U.S. healthcare system. In 2022, nearly 4 in 10 adults were affected by medical debt; of those, 60% had annual household incomes below $40,000.[2]

Despite charity care and hospital financial assistance (FA) programs, medical debt disproportionately affects patients of color, those with disabilities, low-income populations, and is more prevalent in states without Medicaid expansion.[3] The National Consumers League (NCL) has sought to better understand the extent to which hospitals' medical debt practices are affecting vulnerable patient populations and identify opportunities for improvement in debt collection processes.

In 2022, total consumer medical debt totaled nearly $200 billion[1]

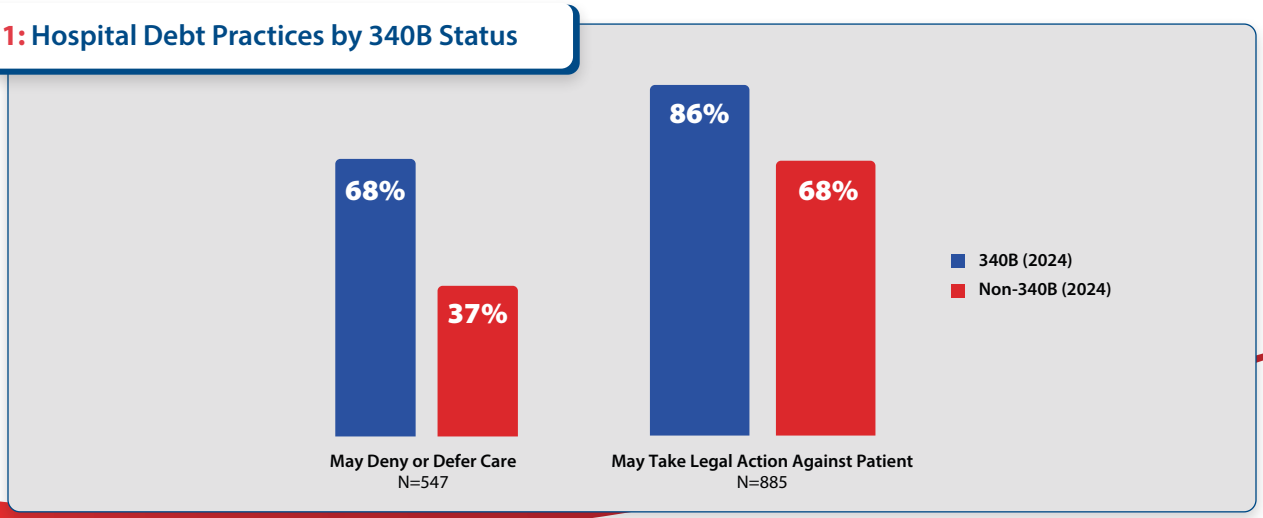
Terms to Know

- **Medical Debt:** Unpaid medical bills that a patient owes for healthcare services that can accumulate if the patient lacks insurance and/or financial resources
- **Financial Assistance (FA)/Charity Care:** Free or discounted healthcare services offered by hospitals to low-income patients who meet specific criteria
- **Presumptive Screening:** A process used by some hospitals to identify a patient as likely eligible for FA/charity care based on specific criteria

340B Hospitals Approach Medical Debt Collection More Aggressively than Non-340B Hospitals

Hospitals and other entities rendering care to a disproportionately high number of low-income patients may participate in the 340B program. The purpose of the program is to enable 340B covered entities to purchase outpatient drugs from manufacturers at a discount and reinvest those savings to expand patient services. An analysis of hospital medical debt data suggested the contrary; 340B hospitals were 2 times more likely to deny or defer care of patients with medical debt compared with non-340B hospitals (68% vs 37%, respectively) (**Figure 1**). 340B hospitals were also more likely to take legal action (e.g., suing for past-due balances, placing liens) against a patient with medical debt compared to non-340B hospitals (86% and 68%, respectively) (**Figure 1**). These practices exacerbate socioeconomic disparities between 340B and non-340B patients, and significantly affect a patient's ability to repay debts, access care, or maintain employment.

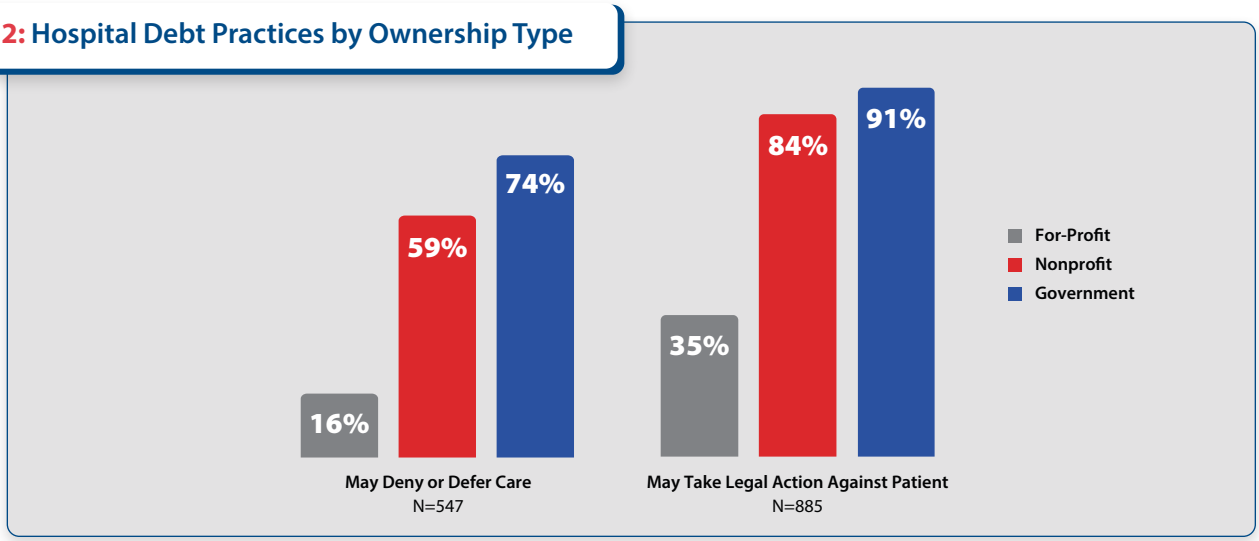
Figure 1: Hospital Debt Practices by 340B Status



For-Profit Hospitals[4] are Less Aggressive with Medical Debt Collection Compared with Nonprofit and Government Hospitals

For-profit hospitals deny or defer care to patients with existing medical debt less often than nonprofit and government hospitals (16%, 59%, and 74%, respectively) (**Figure 2**). Further, nonprofit and government hospitals more often take legal action against patients with medical debt (84% and 91%, respectively) (**Figure 2**). This differential is surprising, as one may expect nonprofit and government hospitals to be more willing to write off medical debt.

Figure 2: Hospital Debt Practices by Ownership Type

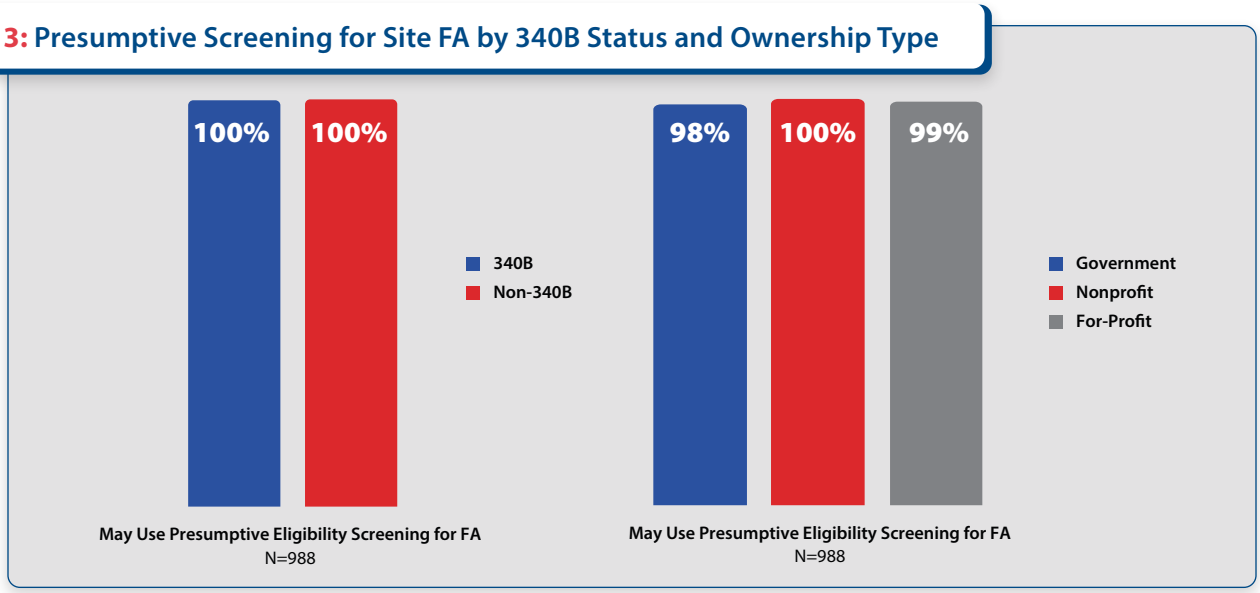


Presumptive Screening for FA Does Not Resolve Medical Debt Issues

Although most hospitals use presumptive screening for site-sponsored FA (e.g., free or discounted care) (**Figure 3**), these entities reported significant use of debt collection practices (**Figures 1-2**). Approximately $2.7 billion of bad debt reported by nonprofit hospitals in 2019 was attributed to patients who were likely eligible for FA but did not receive it.[5,6]

Application processes for FA are not always straightforward; barriers may include lack of awareness, complicated processes, and improper denials by hospitals.[7] Entities offering FA should evaluate their processes and look for opportunities for improvement and proper staff training.

Figure 3: Presumptive Screening for Site FA by 340B Status and Ownership Type



Implications for Patients and Opportunities for Policymakers

Medical debt and collections can result in major consequences for patients, including depletion of savings, defaulting on other bills, delaying major investments (e.g., homeownership or college), or altering their housing situation.[8] In addition, the fear of medical debt may cause some patients to delay seeking medical attention for an illness or injury.[9]

Over the years, several presidential administrations have examined the issue of medical debt; most recently, the Biden administration has taken steps to address illegal medical debt and collection practices and expand medical debt relief at the federal level. However, opportunities to further establish medical debt protections remain.[10]

Policymakers should:[11,12,13,14,15,16]

- Consider efforts to reduce medical debt for patients at both the state and federal levels
- Ensure state policies are consistent and focused on improving access to FA
- Ban care denial subsequent to existing medical debt
- Prohibit the transfer of spousal medical debt
- Incentivize Medicaid expansion in states that have not yet expanded
- Support hospitals rendering healthcare services to low-income patients
- Establish enforceable charity care requirements for 340B hospitals to ensure savings from the program are appropriately reinvested into services that benefit patients

Methodology

Magnolia Market Access utilized data from the Lown Institute (data current as of 5/14/24), Health Resources and Services Administration (HRSA)'s 340B Office of Pharmacy Affairs Information System (OPAIS) database[17] (data current as of 6/1/24), Centers for Medicare and Medicaid Services (CMS) Hospital General Information database[18] (data current as of 7/8/24), and the American Hospital Directory (data current as of 9/9/24) for this analysis.[19] The Lown Institute conducts research on hospitals' FA and billing and debt collection policies and practices, and their data are available for personal or academic use only.[20] As of October 2024, this research includes 1250 hospitals' online policy information around their debt policies and practices.[21] All percentages were rounded to the nearest whole percent.

There are several limitations to this study. The Lown Institute's survey only encompasses about 20% of total hospitals in the U.S. However, the Lown Institute has stated that the survey is an ongoing project with the goal of reaching 2500 of the approximately 6000 hospitals in the U.S. Another limitation is that percentages reported in this issue brief do not include hospitals that did not have information to report or are not available on their website. One important distinction is that the percentages reported reflect the proportion of hospitals that indicated on their website and/or verified via email or phone that their hospital has a medical debt policy or practice. The extent to which the hospitals apply these policies and practices is not collected in the survey. For more information about the methodology for the survey data and collection, please see the Lown Institute's "Hospital Billing and Collection Practices, a National Data Set" website.[22]

Helpful Resources

- Peterson-KFF Health System Tracker's report on the burden of medical debt in the U.S.
- Kluender, Mahoney, and Wong's investigation of U.S. medical debt
- Definitive Healthcare's list of 5 hospital debt statistics you need to know

Citation

National Consumers League. November 2024. *Hospital Medical Debt: Trends, Implications, and Opportunities for Improvement*. [Issue Brief].

References

1. https://www.kff.org/health-costs/issue-brief/hospital-charity-care-how-it-works-and-why-it-matters/ **2.** https://www.kff.org/health-costs/issue-brief/hospital-charity-care-how-it-works-and-why-it-matters/ **3.** https://www.healthaffairs.org/content/forefront/hospitals-hire-debt-collectors **4.** For-profit hospitals include physician-owned hospitals. **5.** 2019 bad debt is estimated as debt that was incurred in 2017 or earlier. **6.** https://www.kff.org/health-costs/issue-brief/hospital-charity-care-how-it-works-and-why-it-matters/ **7.** Ibid. **8.** https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/ **9.** https://news.gallup.com/poll/468053/record-high-put-off-medical-care-due-cost-2022.aspx **10.** https://www.whitehouse.gov/briefing-room/statements-releases/2024/10/01/fact-sheet-biden-harris-administration-announces-new-actions-to-reduce-medical-debt-and-address-illegal-medical-debt-collection-practices/ **11.** https://www.commonwealthfund.org/publications/fund-reports/2023/sep/state-protections-medical-debt-policies-across-us **12.** https://olis.oregonlegislature.gov/liz/2023R1/Downloads/MeasureDocument/HB3320 **13.** Minnesota Debt Fairness Act **14.** https://www.kff.org/medicaid/issue-brief/new-incentive-for-states-to-adopt-the-aca-medicaid-expansion-implications-for-state-spending/ **15.** https://www.ncdhhs.gov/news/press-releases/2024/07/29/cms-approves-north-carolinas-medical-debt-relief-incentive-program **16.** https://340breform.org/wp-content/uploads/2023/10/2023-Charity-Care-Report-Final-1.pdf **17.** https://340bopais.hrsa.gov/home **18.** https://data.cms.gov/provider-data/dataset/xubh-q36u#data-table **19.** https://www.ahd.com/ **20.** https://lowninstitute.org/projects/hospital-billing-and-collection-practices-a-national-data-set/ **21.** https://www.aha.org/statistics/fast-facts-us-hospitals **22.** https://lowninstitute.org/projects/hospital-billing-and-collection-practices-a-national-data-set/