

Drivers of Medical Debt, Current State Protections, and Recent Federal Actions

Consumer Liaison Committee
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The Scale of Medical Debt

40% of adults - about 100 million people - owe some form of health care debt.

23 million adults - nearly 1 in 10 - owe at least **\$250** in medical debt.



16 million adults owe at least **\$1000** in medical debt.

3 million adults owe at least **\$10,000** in medical debt.

Total United States Medical Debt:

**\$195
BILLION**

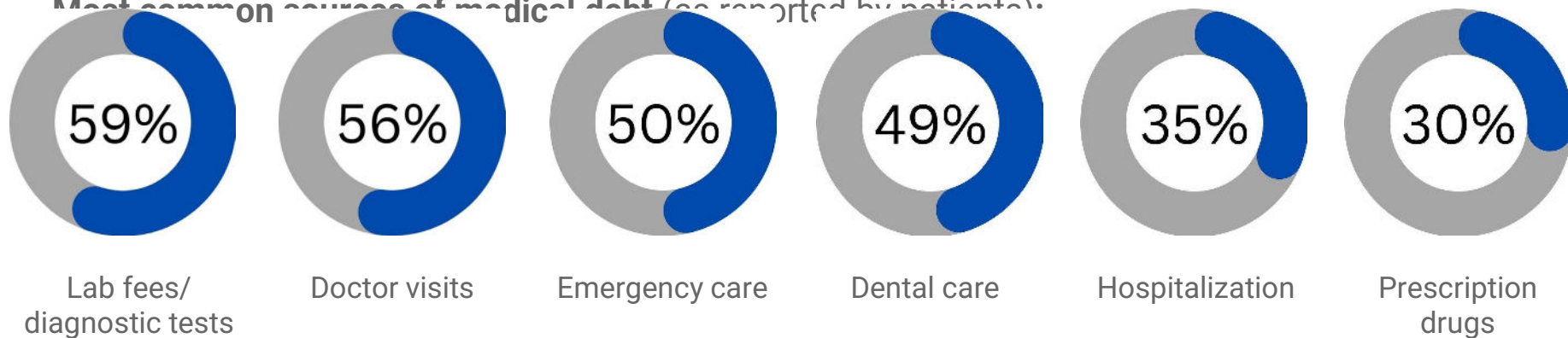
SOURCES: Noam N. Levey. 100 Million People in America are Saddled With Health Care Debt. KFF Health News. June 16, 2022. <https://kffhealthnews.org/news/article/diagnosis-debt-investigation-100-million-americans-hidden-medical-debt/>

Matthew Rae, Gary Claxton, Krutika Amin, Emma Wager, Jared Ortaliza, and Cynthia Cox. The burden of medical debt in the United States. Peterson-KFF Health System Tracker. March 10, 2022. <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/>

Drivers of Medical Debt

Uninsurance, rising out-of-pocket costs for the insured, the proliferation of substandard insurance products, and complex billing processes all contribute to the prevalence of medical debt.

Most common sources of medical debt (as reported by patients):



Disparities in Medical Debt

Racial disparities: A larger share of Black adults (16%) report having medical debt compared to White (9%), Hispanic (9%), and Asian American (4%) adults.

Gender disparities: Nearly half of women (48%) report having medical debt, compared to about a third of men (34%).

Age disparities: People ages 30-64 are more likely than younger adults and adults over 65 to report medical debt.

Disparities by health status: Larger shares of people in poor health (21%) and living with a disability (15%) report medical debt.

Disparities by health insurance status: Adults who were uninsured for more than half of the year are more likely to report medical debt (13%) than those who were insured for all or most of the year (9%).

Regional disparities: People living in rural areas, in the South, and in Medicaid non-expansion states are more likely to have significant medical debt.

Consequences of Medical Debt



Federal Action on Medical Debt

Recent Federal Action

No Surprise Act goes into effect protecting consumers from surprise billing

**April
2022**

Voluntary reform by three nationwide credit bureaus

**August
2022**

CFPB announces removal of medical debt from credit reports

**September
2023**

**January
2022**

Executive order directing federal agencies to examine pathways to reduce burden of medical debt

**July
2022**

Executive order to federal agencies to reduce impact of medical debt on federal lending programs

Recent CFPB Action



Consumer Financial
Protection Bureau

CFPB Kicks Off Rulemaking to Remove Medical Bills from Credit Reports

Proposals under consideration would help end coercive debt collection tactics, clean up inaccurate data, and improve credit score predictiveness

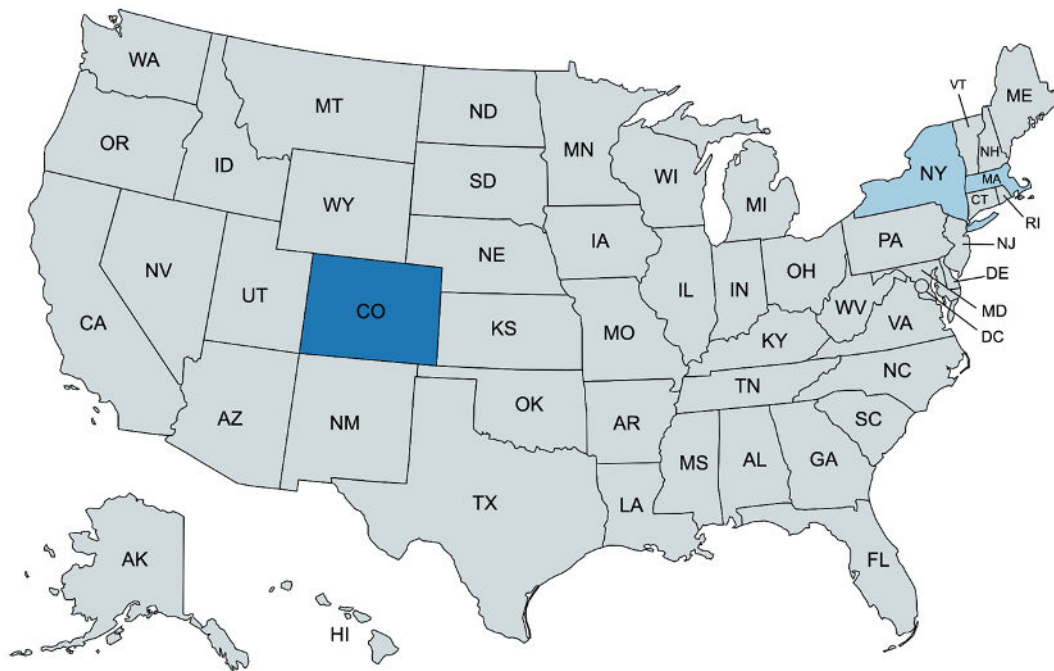
SEP 21, 2023

KFF Health News

DIAGNOSIS: DEBT

Biden Administration to Ban Medical Debt From Americans' Credit Scores

States Banning Medical Debt Credit Reporting



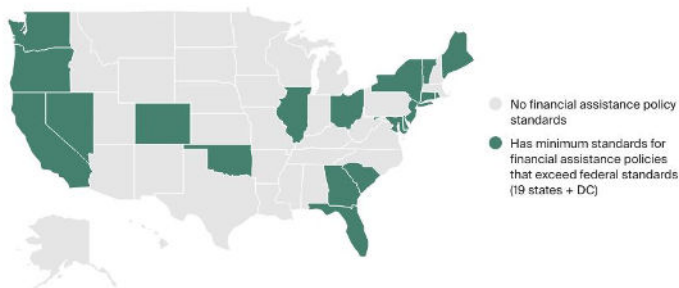
- Passed Legislation
- Proposed Legislation

State Action on Medical Debt

Financial Assistance or Charity Care Standards

EXHIBIT 2

State Adoption of Financial Assistance Policy Standards



Notes: Coding on this map identifies states that require hospitals to maintain a financial assistance policy and set certain minimum standards for these policies. The state can require hospitals to have these policies in place as a condition of licensure, as a legal mandate subject to penalties, or as a condition of receiving state funding. States that have less prescriptive requirements for their hospitals (like states that put the onus of providing financial assistance on individual counties, or states that generally require provision of financial assistance without setting minimum standards) have been excluded.

The MN attorney general has an agreement in place with almost every hospital in the state requiring them to adhere to certain patient protections, but it does not require hospitals to provide charity care.

Data: Center on Health Insurance Reforms, Georgetown University Health Policy Institute; Commonwealth Fund analysis.

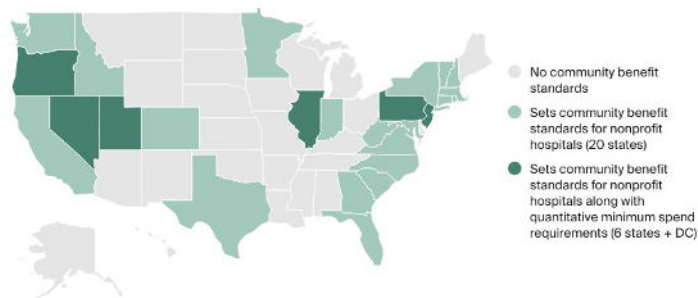
Source: Maanasa Kona and Vrudhi Raimugis, *State Protections Against Medical Debt: A Look at Policies Across the U.S.* (Commonwealth Fund, Sept. 2023). <https://doi.org/10.26099/7m6v-ve80>

- ACA requires non-profit hospitals to establish written FA policy; does not set minimum eligibility standards or standards on how much FA to provide
- 20 states require hospitals to provide financial assistance and set certain minimum standards that exceed the federal standard
- States vary in terms of enforcement mechanisms, setting eligibility requirements, how much FA must be provided, regulating the application process

Community Benefit Standards

EXHIBIT 4

State Adoption of Community Benefit Standards



Notes: Coding on this map identifies states that require nonprofit hospitals to meet community benefit standards in exchange for an exemption from state taxes and states that also set certain minimum quantitative standards for how hospitals can fulfill their community benefit obligations.

ID, NV, and NH limit these requirements to hospitals of a certain size.

DC, MN, NV, RI, SC, and VA extend these requirements to for-profit hospitals as well.

TX requires nonprofit hospitals seeking certification as a "limited liability" entity to show that it spend 8% of its net patient revenue on charity care and provides 40% of the charity in its county.

GA state law requires destination cancer hospitals seeking a certificate of need to spend 3% of their adjusted gross income on indigent and charity care. While not in statute, the state might require this for all hospitals seeking a certificate of need, as a matter of practice.

Data: Center on Health Insurance Reforms, Georgetown University Health Policy Institute; Commonwealth Fund analysis.

Source: Maanasa Kona and Vrudhi Raimugla, *State Protections Against Medical Debt: A Look at Policies Across the U.S.* (Commonwealth Fund, Sept. 2023). <https://doi.org/10.26099/7m6v-ve80>

- ACA requires nonprofit hospitals to invest in community benefits in return for tax exemptions. Nonprofit hospitals have to produce a community health needs assessment every three years and have an implementation strategy
- 27 states impose community benefit requirements on nonprofit hospitals
 - At least 6 states extend requirements to for-profit hospitals
 - 7 states require hospitals to provide FA to satisfy their community benefit obligations
 - 7 states set minimum spending thresholds

Billing and Collections Protections

- ACA imposes waiting periods and prior notification requirements for certain extraordinary collections actions (ECAs), such as garnishing wages or selling the debt to a third party
- State Protections:
 - Requiring hospitals to offer payment plans (8 states)
 - Prohibiting or limiting interest for medical debt (8 states)
 - Requiring hospitals to meet certain conditions before sending a bill to collections (14 states)
 - Prohibiting sale of medical debt (3 states)
 - Limiting/prohibiting credit reporting (10 states)

Protections Against Legal Action

- ACA considers initiating legal action to collect on unpaid medical bills to be an extraordinary collections action. Federal law also limits how much of a debtor's paycheck can be garnished to pay a debt.
- State Protections:
 - Limiting when hospitals and/or collections agencies can initiate legal action (3 states)
 - Robust homestead exemptions (7 states with unlimited exemptions)
 - Prohibiting/setting limits on liens or foreclosures (11 states)
 - Exceeding the federal ceiling for wage garnishment (21 states)
 - Prohibiting wage garnishment in certain circumstances (15 states)

Reporting Requirements

- ACA requires all nonprofit hospitals to submit an annual tax form including total dollar amounts spent on financial assistance and written off as bad debt. These reporting requirements do not extend to for-profit hospitals and lack granularity.
- State Can Collect:
 - financial data (15 states only collect this)
 - financial assistance program data (11 states additionally collect this)
 - demographic data (5 states additionally collect this)
 - ECA data (1 state additionally collects this)

What Can DOIs Do?

What Can States Do?

- Study the impact of high deductibles and cost sharing on patients
- Require insurers to track and report on how many of their enrollees are experiencing medical debt, and what the causes are
- Educate enrollees about their rights under state law
- Require insurers to make information available to enrollees about their rights under state law

What Can States Do?

- Leverage your role as banking regulators where applicable
- Depending on the state, the DOI commissioner might be responsible for overseeing:
 - Installment plans and interest rates
 - Licensing and regulating debt collectors
 - State-regulated entities' use of credit reporting information or when they report to CRAs

Questions?

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Resources

Medical Debt Info

- https://www.nclc.org/wp-content/uploads/2023/01/MedicalDebt_Rpt.pdf
- <https://www.ils.org/sites/default/files/2023-10/Medical%20Debt%20Report.pdf>
- <https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/>
- <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>

Federal Action

- <https://www.consumerfinance.gov/ask-cfpb/what-is-a-surprise-medical-bill-and-what-should-i-know-about-the-no-surprises-act-en-2123/>
- <https://www.nclc.org/biden-administration-issues-order-to-reduce-impact-of-medical-debt-on-federal-loan-programs/>
- <https://www.consumerfinance.gov/about-us/newsroom/cfpb-kicks-off-rulemaking-to-remove-medical-bills-from-credit-reports/>
- <https://kffhealthnews.org/news/article/medical-debt-credit-score-ban-biden-administration/>

State Action

- <https://www.commonwealthfund.org/publications/maps-and-interactives/state-protections-against-medical-debt>
- <https://cclponline.org/news/medical-debt-credit-reporting-legislation-signed-co/>
- <https://www.cssny.org/news/entry/the-fair-medical-debt-reporting-act-removing-medical-debt-from-credit-repor>