



Preventing Medical Debt From
Disrupting Health and Financial Health

Executive Summary



Acknowledgments

About the Report Series

The Financial Health Network is a trusted resource for business leaders, policymakers, and innovators united in a shared mission to improve financial health for all. We believe financial health is a social determinant of health.

Developed with the support of the Robert Wood Johnson Foundation and informed by a council of stakeholder experts, this report series was created by the Financial Health Network to identify actionable interventions and strategies that health system stakeholders should take to prevent medical debt – particularly among commercially insured patients who too often remain unprotected from healthcare costs.

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Medical Debt at a Glance

Medical bills are the leading cause of bankruptcy in the United States.¹ Recent analysis of a nationally representative sample of credit reports found that **more than 1 in 6 Americans (18%) had medical debt in collections as of June 2020.**² Medical debt, which amounts to at least \$140 billion nationally, is now the most common type of past-due bill consumers say they are contacted about by debt collectors.^{3,4}

About two-thirds of those who have medical debt or problems paying medical bills report that they or the household member who incurred the bill were insured at the time, suggesting that access to health insurance is not enough to prevent these types of problems.⁵

Medical debt, unlike other forms of consumer debt, is often unexpected.⁶ **The financial disruption and ruin caused by medical debt can harm physical and mental health, as well as social well-being** by impairing people's ability to pay for basic necessities like food or housing, avoid credit card debt, save, and pursue education or career plans.⁷ Furthermore, the COVID-19 pandemic has magnified the interdependencies of health and financial health. Medical debt, as well as financial health more generally, are therefore key under-recognized social determinants of health.



Defining Financial Health

Financial health considers the totality of an individual's financial life. Unlike narrow metrics like income and credit scores, financial health considers whether individuals are spending, saving, borrowing, and planning in a way that will either contribute to, or detract from, their resilience in the face of unexpected events and ability to thrive in the long term. Currently, 34% of people in the U.S. are Financially Healthy, 52% are Financially Coping, and 14% are Financially Vulnerable.

¹ David U. Himmelstein, Deborah Thorne, Elizabeth Warren, & Steffie Woolhandler, "Medical Bankruptcy in the United States, 2007: Results of a National Study," *American Journal of Medicine*, 2009.

² Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," *JAMA*, July 2021.

³ *Ibid.*

⁴ "Consumer Experiences with Debt Collection," Consumer Financial Protection Bureau, January 2017.

⁵ Mollyann Brodie, Gary Claxton, Liz Hamel, Larry Levitt, Mira Norton, & Karen Pollitz, "The Burden of Medical Debt: Results from the Kaiser Family Foundation/New York Times Medical Bills Survey," Kaiser Family Foundation, January 2016.

⁶ Sarika Abbi & Raquan Wedderburn, "Medical Debt and its Impacts on Health and Wealth: What Philanthropy Can Do to Help," Aspen Institute Financial Security Program, Asset Funders Network, March 2021.

⁷ Jennifer J. Griggs & Carlos F. Mendes de Leon, "Medical Debt as a Social Determinant of Health," *JAMA*, July 2021.

Opportunities To Prevent Medical Debt

Disrupting the adverse impacts of medical debt on financial, physical, mental, and social well-being will require action *prior* to patients incurring medical debt. Addressing the complex origins and drivers of medical debt – including rising costs of care, higher healthcare cost-sharing, and pervasive inequities – will require long-term policy changes. However, medical debt results from patient experiences within the healthcare system. Specific practices by hospitals and health systems, insurers, and employers can shape patient experiences with healthcare, and ultimately lead to medical debt and its devastating impacts (Figure 1); this is particularly true for commercially insured

patients who increasingly lack sufficient protection from unaffordable costs of healthcare.

The prevention of medical debt requires multiple course corrections from healthcare system actors. **Hospitals and health systems, insurers, and employers can take immediate and constructive actions to prevent medical debt.** By working to prevent medical debt, these industry actors can also prevent the disruptive impacts of debt on consumers’ health and well-being, improve consumer experiences and public reputation, and ultimately, strengthen patient and community trust.

Figure 1. Opportunities to take action.

While many upstream factors lead to medical debt, this report focuses on interventions that healthcare stakeholders can implement to prevent medical debt and its devastating impacts on financial health and health.



Summary of Recommendations

The Financial Health Network developed these recommendations with input from members of its Stakeholder Advisory Council. While each one alone can contribute to medical debt prevention, hospitals and health systems, insurers, and employers can achieve the greatest possible impact for patients by implementing them all.

Recommendations for Hospitals and Health Systems

Improve financial assistance and repayment programs.

- Expand financial assistance eligibility to include patients unable to pay medical bills, including insured patients with unaffordable out-of-pocket expenses.
- Ensure financial assistance is available to all patients who may be eligible.
- For patients who are not eligible for financial assistance, expand repayment options and ensure they have access to these options prior to the billing process.
- Engage a broad range of constituents for regular review and improvement of financial assistance policies.
- Halt legal action against patients eligible for financial assistance.

Support informed patient decision-making.

- Elevate, improve, and effectively use price transparency tools to support informed patient decision-making.
- Incorporate cost-of-care conversations into the care process, and provide education and training to care teams.
- Provide financial navigation services to help patients understand costs and access financial assistance.

Proactively identify risk of medical debt.

- Proactively identify patients who may struggle to pay medical bills.
- Develop patient-centered approaches for assessing ability to pay and link these assessments directly to financial assistance and repayment options.
- Incorporate medical debt as an explicit focus area of Community Health Needs Assessments.

Recommendations for Insurers

- Aid members in plan selection and ensure members understand key health insurance terms.
- Proactively inform members of out-of-pocket expectations and how to navigate lower-cost options through effective price transparency resources.
- Incentivize primary and preventive care services by reducing or eliminating associated out-of-pocket expenses.
- Improve claims adjustment and prior authorization processes.



Recommendations for Employers

- Assess health insurance affordability for all employees.
- Educate employees about the basics of insurance and explain out-of-pocket expectations upfront.
- Provide services or benefits that help employees manage health insurance out-of-pocket expenses.
- Offer insurance plans based on employees' financial circumstances and healthcare needs.





Long-Term and Supporting Strategies

In addition to these direct and near-term recommendations, several key long-term and supporting strategies are also necessary to advance enduring solutions and incentivize action.

1. **Identify and spread best practices that demonstrate successful outcomes for preventing medical debt.** In order to support the evidence base of best practices, interventions, and partnerships that avert medical debt, aim to document both the tangible and intangible impacts on patients, providers, health systems, insurers, and employers.
2. **Establish a public scorecard system to track hospital and health systems' use of patient-centric strategies that mitigate and prevent medical debt.** Displaying such tactics publicly can lead to greater uptake of these practices.
3. **Make the long-term policy changes needed to sustainably and equitably address upstream drivers of medical debt.** This includes addressing rising healthcare costs, limited access to comprehensive health insurance, unreasonable cost-sharing expectations, and inequities that induce medical debt and financial hardship. Some efforts in these areas are already underway.

A Call to Action

As medical costs, demand for financial assistance, and consumer out-of-pocket payment expectations continue to rise, now is the time for greater action and leadership. COVID-19 has magnified the interdependencies of health, financial health, and equity. Hospitals and health systems, insurers, and employers can take immediate and constructive actions to prevent medical debt. In doing so, they begin the journey to improve the financial health of consumers and communities.



The Financial Health Network is the leading authority on financial health. We are a trusted resource for business leaders, policymakers, and innovators united in a mission to improve the financial health of their customers, employees, and communities. Through research, advisory services, measurement tools, and opportunities for cross-sector collaboration, we advance awareness, understanding, and proven best practices in support of improved financial health for all.

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