FINANCIAL HEALTH NETWORK

Preventing Medical Debt From Disrupting Health and Financial Health

A Systems-Level Overview

Contents

Introduction

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.

This report provides an overview of the national medical debt crisis, describing its prevalence and effects on consumers, how medical debt functions as a social determinant of health and driver of health inequities, opportunities to prevent it, and finally, long-term strategies for impact.

Three companion reports focus on specific opportunities for three influential healthcare groups to take action.

These recommendations are intended to inform hospitals and health systems, insurers, and employers sponsoring commercial insurance. While these stakeholders may be best positioned to drive immediate impact on medical debt, other healthcare players – including those in pharmaceuticals and government – can adapt and apply these insights for further impact. Patient and consumer advocates can also champion these high-impact strategies for preventing medical debt, and the disruption of health and financial health that often follows.

Explore additional reports in this series:

Executive Summary

Recommendations for Hospitals and Health Systems

Recommendations for Insurers

Recommendations for Employers

Building on existing research, the Financial Health Network developed this report series by conducting three working sessions and individual interviews with a 14-member Stakeholder Advisory Council. This Advisory Council included representatives from across the healthcare ecosystem – hospitals and health systems, clinicians, insurers, employers, patient representatives, health technology vendors, health policy experts, and philanthropy organizations (see Appendix). These conversations guided the actionable and strategic recommendations presented in this series.

Advisory Council sessions acknowledged several root causes of medical debt – income inequities, the rising cost of and access to healthcare, and insurance design. Stakeholders also recognized that some of the existing strategies for addressing medical debt were too far downstream – such as avoiding the sale of debt to collectors, supporting consumers as they negotiate repayment terms, and charity contributions to pay existing debts – and instead wanted to focus on preventive measures. Advisory Council discussions therefore focused on the differing roles of hospitals and health systems, insurers, and employers, as well as potential interventions to interrupt the cycle of financial ruin before patients face the risk of medical debt.

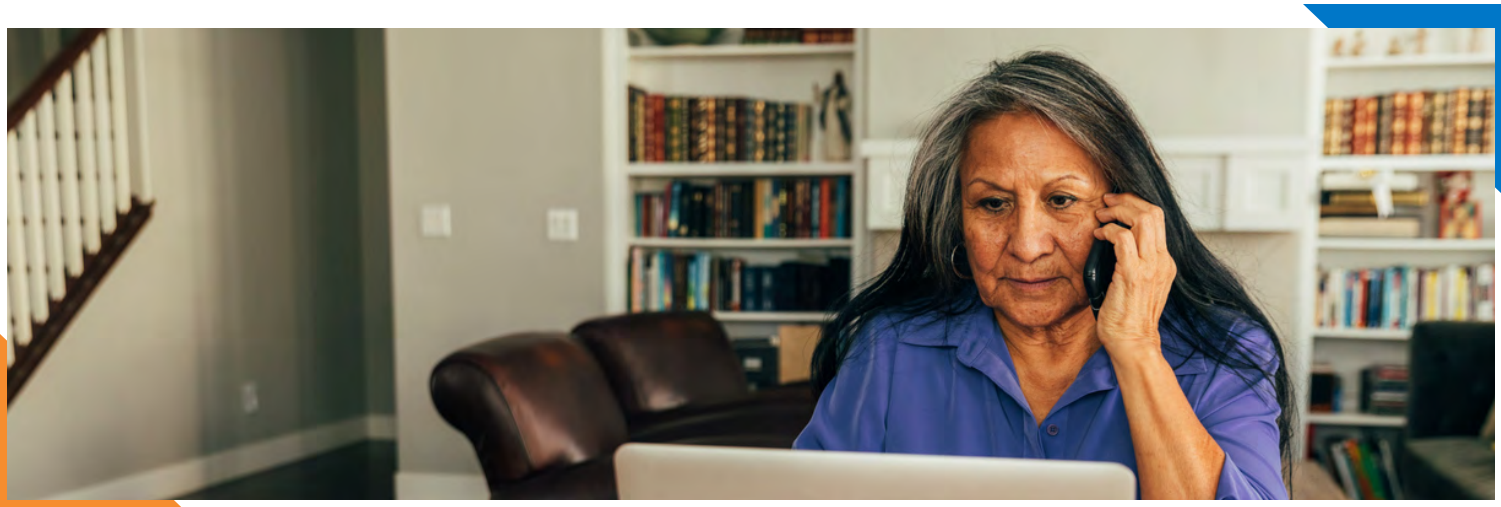
Support for this report series was provided by the Robert Wood Johnson Foundation. The views expressed here do not necessarily reflect the views of the Foundation.

About the Financial Health Network

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.

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.



The Impact of Medical Debt on Consumers

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]

The most common medical bills people have problems paying include doctor visits, diagnostics, and lab fees, while hospitalization and emergency room costs make up the largest dollar amounts owed.[5]

The typical amount of debt owed in the United States is between $400 and $800.[6, 7, 8] **Taking into consideration that 35% of Americans would have difficulty paying an unexpected expense of $400 – such as a medical bill – this amount can lead patients to financial ruin.**[9]

Medical debt occurs after a patient receives healthcare, is billed for that care, and then is unable to cover the cost of that care. The healthcare provider or a debt collection agency contracted through the provider may pursue patients through repeated calls, notices, lawsuits, liens on their property, or wage garnishments.[10, 11] Many of the current strategies to address medical debt, such as avoiding the sale of debt to collectors, supporting consumers as they negotiate repayment terms, and providing charitable contributions to pay existing debts, mitigate but do not prevent medical debt from occurring in the first place.

[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] *Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," JAMA, July 2021.*
[7] *"Debt in America: An Interactive Map," Urban Institute, December 2020.*
[8] *Michael Batty, Christa Gibbs, & Benedic Ippolito, "Unlike Medical Spending, Medical Bills In Collections Decrease With Patients' Age," Project Hope, Health Affairs, July 2018.*
[9] *"Report on the Economic Well-Being of U.S. Households in 2020 - May 2021," Board of Governors of the Federal Reserve System, May 2021.*
[10] *Jordan Rau, "Patients Eligible For Charity Care Instead Get Big Bills," Kaiser Health News, October 2019.*
[11] *Alec MacGillis, "One Thing the Pandemic Hasn't Stopped: Aggressive Medical-Debt Collection," ProPublica, April 2020.*

Medical debt has a significant impact on financial health – a metric for assessing the totality of individuals' financial lives, in terms of whether they are spending, saving, borrowing, and planning in ways that will enable them to be resilient and thrive.[12] Medical debt can impair a person's financial health by impacting not only the day-to-day manageability of their spending, but also their long-term savings goals and credit score if the unpaid bill goes to debt collections.

According to a recent survey of those with medical bills and medical debt issues, 35% used all or most of their savings, 35% took on credit card debt, 27% could not pay for basic necessities like food or rent, and 23% delayed education or career plans.[13] Many medical debt holders also manage student loan debt.[14] Medical debt also adversely impacts a person's credit, making it more challenging for consumers to get loans and favorable interest rates.[15] Because of these impacts, those with medical debt may be less likely to obtain mortgages, advance their careers, increase their wealth, and achieve financial security.[16]

Medical debt and associated financial hardships also hamper access to care and worsen health outcomes.[17] One in three patients with medical debt (35%) deferred healthcare over the last year.[18] The cost of medical care may prevent people from seeking or receiving appropriate medical care, which may in turn lead to delayed diagnoses of health conditions or exacerbate preexisting conditions.

Half of U.S. adults report that they or a family member delayed or skipped medical care or dental care, or used an alternative treatment due to cost.

One in three (29%) report not taking their prescriptions because of cost.[19] These patients are more likely to have high blood pressure and worse self-reported health status.[20]

Additionally, those facing financial hardship also experience worse mental health outcomes.[21] Sudden loss of wealth – which can occur after a patient receives medical bills they cannot afford – is also associated with a significant increase in mortality risk.[22]

These findings underscore that financial health, and specifically medical debt, represent critical social determinants of health.

[12] "FinHealth Score® Methodology," Financial Health Network.
[13] Gabriella N. Aboulafia, Sara R. Collins, & Munira Z. Gunja, "As the Pandemic Eases, What Is the State of Health Care Coverage and Affordability in the U.S.?," Commonwealth Fund, July 2021.
[14] 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.
[15] Ibid.
[16] Necati Celik, Andrew Dunn, Thea Garon, & Jess McKay, "Financial Health Pulse™ 2021 U.S. Trends Report," Financial Health Network, October 2021.
[17] Mariana Chilton, Falguni Patel, Pam Phojanakong, & Emily Brown Weida, "Financial health as a measurable social determinant of health," PLOS ONE, May 2020.
[18] "TransUnion Healthcare: 2021 Sees 55% Rise in Financial Assistance Transactions," TransUnion, November 2021.
[19] Mollyann Brodie, Liz Hamel, Audrey Kearney, & Mellisha Stokes, "Americans' Challenges with Health Care Costs," Kaiser Family Foundation, December 2021.
[20] Mandy Pellegrin, "How Medical Debt Affects Health," Sycamore Institute, May 2021.
[21] Mariana Chilton, Falguni Patel, Pam Phojanakong, & Emily Brown Weida, "Financial health as a measurable social determinant of health," PLOS ONE, May 2020.
[22] Jennifer J. Griggs & Carlos F. Mendes de Leon, "Medical Debt as a Social Determinant of Health," JAMA, July 2021.

Who Is at Greatest Risk of Medical Debt?

Medical debt burdens and related financial challenges disproportionately impact communities of color, people with disabilities, people with low incomes, people living in certain geographies, and those with and without insurance. These disparities are rooted in inequities that create urgency around preventing medical debt.

By Race and Ethnicity

Twenty-eight percent of Black households and 22% of households of Hispanic origin have medical debt, compared with 17% of White households.[23] The median amount of debt in collections for communities of color is $854, compared with $758 for White communities.[24] Disparities in medical debt are directly linked to systemic inequities related to employment, wealth-building opportunities, and healthcare access that continue to persist in the United States. These racial inequities leave Black, Hispanic, and Indigenous households less likely to be able to afford needed healthcare, more likely to experience being uninsured, and more likely to face unexpected medical bills and be unable to pay them.[25, 26, 27, 28, 29] Healthcare experiences also differ by race and ethnicity. In Maryland, for example, less than half of Black residents reported that they knew about free or low-cost care programs provided by hospitals for low-income patients, while 79% of White residents were aware of the programs.[30]

By Disability Status

Medical debt is also more common for households where at least one member has a disability compared with households with no members with disabilities (27% vs. 14%), as well as in households with a member in fair or poor health compared with other households (31% vs. 14%).[31]

By Income

Although households above and below the poverty line each report a roughly 19% share of medical debt, the burden of high medical debt – which is defined as debt that exceeds 20% of household income – is significantly greater for households below the poverty line (11%), than those with incomes above the poverty line (3%).[32] **Medical debt is also significantly higher in low-income ZIP codes compared with high-income ZIP codes.**[33]

[23] *Neil Bennett, Jonathan Eggleston, Laryssa Mykyta, & Briana Sullivan, "19% of U.S. Households Could Not Afford to Pay for Medical Care Right Away," U.S. Census Bureau, April 2021.*

[24] *"Debt in America: An Interactive Map," Urban Institute, December 2020.*

[25] *Steven Brown, Genevieve M. Kenney, & Signe-Mary McKernan, "Past-due medical debt a problem, especially for black Americans," Urban Institute, March 2017.*

[26] *Nana Adjeiwaa-Manu, Joia Crear-Perry, Andre M. Perry, & Carl Romer, "The racial implications of medical debt: How moving toward universal health care and other reforms can address them," Brookings Institution, October 2021.*

[27] *Dan Witters, "In U.S., An Estimated 46 Million Cannot Afford Needed Care," Gallup, March 2021.*

[28] *Samantha Artiga, Anthony Damico, Latoya Hill, & Kendal Orgera, "Health Coverage by Race and Ethnicity, 2010-2019," Kaiser Family Foundation, July 2021.*

[29] *"West Health-Gallup 2021 Healthcare in America Report," West Health & Gallup, 2021.*

[30] *"Gonzales Maryland Poll, October 2020," Gonzales Polls, Inc., October 2020.*

[31] *Neil Bennett, Jonathan Eggleston, Laryssa Mykyta, & Briana Sullivan, "19% of U.S. Households Could Not Afford to Pay for Medical Care Right Away," U.S. Census Bureau, April 2021.*

[32] *Ibid.*

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

By Geography

Medical debt is also higher in the South compared with other U.S. regions.[34] States that expanded Medicaid in or after 2014 saw greater declines in the average amount of new medical debt listed on credit reports compared with those that did not expand Medicaid. The gap in new medical debt between low-income and high-income ZIP codes also narrowed in states that expanded Medicaid, but widened in states that did not.

About **1 in 5** U.S. adults (18%) report that they **are unable to afford needed healthcare.**

By Health Insurance

Although lack of insurance puts consumers at risk of medical debt, **inadequate insurance is also increasingly a risk factor for medical debt, because it leaves the consumer at risk for costly medical bills through high out-of-pocket expenses or limited coverage benefits.** About two-thirds of those with medical debt or problems paying medical bills report that they or the household member who incurred the bill were insured at the time.

Employer-sponsored health insurance is the most common type of insurance coverage in the United States. However, 26% of adults in employer-sponsored plans were considered underinsured in 2020 compared with 17% in 2010, due to high deductibles and other out-of-pocket healthcare costs relative to income.[35] Over this same 10-year period, the portion of employer-insured adults with deductibles reaching or exceeding 5% of their income more than doubled to 14% from 6%. The growth of deductibles has outpaced earnings, taking up greater shares of household budgets while leaving more people underinsured.

By Pandemic Experience

The pandemic has aggravated the intertwined problems of poor financial health, medical debt, and equity. Half of Financially Vulnerable Americans, along with 19% of Financially Coping Americans, say their finances have worsened since the pandemic began.[36, 37] Black and Latinx communities in particular reported increased hardship from economic, food, and housing insecurity during the pandemic, compared with their White counterparts.[38] This increased financial strain places more people at greater risk of accruing medical debt, especially considering that millions already struggle to pay unexpected expenses of $400 or more.[39] As of February 2021, about 1 in 5 U.S. adults (18%) reported that they were unable to afford needed healthcare.[40] Researchers estimate that more than half of those who had COVID-19 will experience post-COVID symptoms up to six months after recovering.[41] These "long COVID" sufferers may require more healthcare visits, leaving them vulnerable to greater out-of-pocket healthcare costs and at higher risk of accruing medical debt.

[34] *Raymond Kluender, Neale Mahoney, Francis Wong, & Wesley Yin, "Medical Debt in the US, 2009-2020," JAMA, July 2021.*
[35] *Gabriella N. Aboulafia, Sara R. Collins, & Munira Z. Gunja, "U.S. Health Insurance Coverage in 2020: A Looming Crisis in Affordability," Commonwealth Fund, August 2020.*
[36] *"One Year into the Pandemic, Millions of Americans Still Struggling," Financial Health Network, February 2021.*
[37] *"FinHealth Score® FAQs," Financial Health Network, February 2022.*
[38] *"One Year into the Pandemic, Millions of Americans Still Struggling," Financial Health Network, February 2021.*
[39] *"Report on the Economic Well-Being of U.S. Households in 2018 - May 2019," Board of Governors of the Federal Reserve System, May 2019.*
[40] *Dan Witters, "In U.S., An Estimated 46 Million Cannot Afford Needed Care," Gallup, March 2021.*
[41] *Djibril M. Ba, Vernon M. Chinchilli, Jessica E. Ericson, Destin Groff, Alain Lekoubou, John S. Oh, Nicholas Parsons, Govinda R. Poudel, Anna E. Ssentongo, Paddy Ssentongo, & Ashley Sun, "Short-term and Long-term Rates of Postacute Sequelae of SARS-CoV-2 Infection," JAMA, October 2021.*

Factors Driving Medical Debt and Impacts on Consumers and Healthcare Stakeholders

The medical debt crisis is being driven by the rising costs of healthcare coupled with increasing burdens of patient cost-sharing – factors that may be further explained by systemic inequities and lack of access to affordable, comprehensive health insurance.[42] The way that hospitals and health systems, insurers, and employers respond to these trends can impact medical debt. Specific practices of hospitals and health systems, insurers, and employers exacerbate how healthcare design, delivery, and experience can ultimately lead to medical debt, particularly among commercially insured patients who increasingly remain unprotected from healthcare costs.[43]

The price of healthcare is on the rise and projected to continue growing.[44] To control healthcare expenditures, commercial and private health insurance rely on a complex menu of cost-sharing requirements where consumers pay a portion of costs out of pocket. Rising healthcare costs have created demand in both the employer and individual private insurance markets for plans with lower upfront premium costs, but higher deductibles and other out-of-pocket costs for care. The onus of patient cost-sharing further increases when insurers reject claims submitted by providers, who then send bills to patients, or when "surprise billing" occurs because patients unknowingly receive care from an out-of-network physician at an in-network facility.

For many consumers, this means healthcare becomes increasingly unaffordable and can trigger larger financial disruptions. **Commercially insured patients are particularly vulnerable to incurring medical debt, given that they face high out-of-pocket payments because of unaffordable deductibles and other unplanned costs related to care received.**[45] High cost-sharing can deter commercially insured consumers from seeking timely care for preventive services, which could worsen health and financial health outcomes and lead to higher costs down the road. Yet commercially insured patients are often assumed ineligible for financial assistance by health systems, because the expectation is that their insurance will help with covering the cost of care. Additionally, commercially insured patients do not always know or understand what is covered in their insurance benefits, which can affect the care decisions they make.

> Commercially insured patients are particularly **vulnerable to incurring medical debt.**

[42] *Katherine Hempstead, "Marketplace Pulse: Cost-Sharing in the Marketplace, 2021," Robert Wood Johnson Foundation, June 2021.*
[43] *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.*
[44] *"Health Care Cost and Utilization Report (HCCUR)," Health Care Cost Institute, October 2021.*
[45] *"2021 Employer Health Benefits Survey," Kaiser Family Foundation, November 2021.*

For hospitals and health systems, this increase in patient out-of-pocket responsibility has resulted in a shift in their revenue sources toward collection of out-of-pocket fees. This shift toward increased cost obligations for patients has increased providers' exposure to bad debt and overall uncompensated care, while also placing a greater burden on providers to collect patient payments. Many hospitals and health systems are aggressive in their self-pay collection tactics; lack transparency in pricing, billing policies, and financial assistance policies and eligibility; and have limited, inflexible, or no repayment options.[46] **Forty-five percent of nonprofit hospital organizations are routinely sending medical bills to patients whose incomes are low enough to qualify for financial assistance.**[47]

For care team members – the doctors, nurses, and other care team professionals who provide direct patient care – navigating patients' benefit structure complicates care delivery. While these professionals want to focus their energy on providing the best treatment for patients, they are often ill-equipped to understand and support patients' financial situations, in terms of ability to pay and navigate complex, opaque out-of-pocket costs.[48]

[46] *Olga Khazan, "What Happens When You Don't Pay a Hospital Bill," The Atlantic, August 2019.*
[47] *Jordan Rau, "Patients Eligible For Charity Care Instead Get Big Bills," Kaiser Health News, October 2019.*
[48] *Aingyea Fraser, Emmy Ganos, Amalia Gomez-Rexrode, Domitilla Masi, Joshua Seidman, & Katherine Steinberg, "Talking About Costs: Innovation In Clinician-Patient Conversations," Health Affairs Blog, November 2018.*

Cross-Sector Opportunities To Prevent Medical Debt

Addressing the complex upstream 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, as Figure 1 below illustrates, medical debt is a result of the ways in which patients experience the healthcare system. The prevention of medical debt therefore requires multiple course corrections by multiple healthcare system actors that shape patient experiences, from hospitals and health systems to insurers and employers.

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.

Now is the time for these health system actors to assess how their actions drive medical debt, and align around new strategies and practices that can prevent medical debt and its associated disruptions to financial health and overall well-being. COVID-19 has made this call to action more pressing. Demand for financial assistance (as measured by transactions that validate a person's identity and ability to pay) had been rising prior to the COVID-19 pandemic, but increased even more throughout, likely reflecting new economic hardships brought about by the pandemic.[49] As the pandemic's economic fallout persists and out-of-pocket healthcare costs continue to rise, it's likely that patient demands for financial assistance and delays of care will rise as well.

Hospitals and health systems, insurers, and employers can take specific actions and strategies to prevent medical debt. The Financial Health Network developed these recommendations with input from Stakeholder Advisory Council members. While each recommendation alone can contribute to medical debt prevention, hospitals and health systems, insurers, and employers can have the greatest impact when they implement them all. Across all these recommendations, meaningful consumer engagement is essential for ensuring high impact of interventions, identifying policies and practices that mitigate and prevent medical debt, and co-designing solutions that meet the specific circumstances and preferences of patients and communities served while also promoting health equity.

[49] "*TransUnion Healthcare: 2021 Sees 55% Rise in Financial Assistance Transactions*," *TransUnion, November 2021.*

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 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 the near-term recommendations described above, more long-term and supporting strategies are necessary to advance enduring solutions and incentivize action.

1 Identify and spread best practices that demonstrate successful outcomes for preventing medical debt.

Hospitals and health systems, insurers, and employers seek transformative practices, technology, and evidence-based examples from their peers. Documenting, validating, and sharing best practices can support the spread of high-impact strategies that can reduce medical debt effectively.

Many hospitals increased access to financial assistance during COVID-19. These hospitals should track and disseminate how well these efforts work to mitigate medical debt. Further research is also needed on new trends for building consumerism into healthcare, such as price transparency tools, cost-of-care conversations, and other means of informing consumers' decisions about their care, to identify and share the solutions that bring the most value for consumers.

In some cases, health system actors will need to first pilot new interventions or partnerships. For example, pilots of new measures or strategies to proactively identify at-risk consumers could:

- Identify which measures are most impactful for reducing medical debt and inform implementation and patient engagement strategies.
- Explore how such financial risk assessments can be incorporated into community benefit programs, community engagement strategies, and wellness programs.
- Help healthcare stakeholders develop new solutions and cross-sector partners.
- Test technology and digital strategies for their effectiveness and efficiency.

Importantly, these best practices should be evaluated for their impacts on patient financial health, healthcare utilization, health outcomes, and patient experiences. Documenting financial returns on investments may be a lengthy process given the complexity of the issue and its many systemic and upstream contributing factors. At the very least, building the evidence base for practices that avert medical debt should aim to document the tangible and intangible impacts on patients, providers and 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.

Such a scorecard could hold hospitals and health systems accountable to their financial assistance practices. Bringing this tool online could allow for tracking and comparison. Currently, there are a number of scorecard-like tools that can serve as examples for developing this kind of tool.

A potential scorecard should be developed in collaboration with health systems, patients, and patient advocates to ensure usability. Once developed, the scorecard should be shared with patient and community advocates, and integrated into existing hospital dashboards.

Community Catalyst's Hospital Community Benefit Dashboard: This dashboard outlines five principles for community benefit programs and lays out an ideal state of activities, programs, and governance for addressing the root causes of poor health in direct partnership with communities.[50]

Healthcare Value Hub's Healthcare Affordability State Policy Scorecard: This scorecard identifies which U.S. states are doing well and areas for improvement around affordability, which include extending affordable coverage to all residents, making cost-sharing affordable and evidence-based, reducing the provision of low- and no-value care, and curbing excess healthcare prices.[51]

Lown Institute Hospital Index: This index ranks 3,600 hospitals across the U.S. based on their spending on financial assistance, spending on other community health initiatives, and the proportion of patient revenue from Medicaid.[52]

[50] *Jessica Curtis & Holly Lang, "Hospital Community Benefit Dashboard: Advancing Health Equity and Community Engagement," Community Catalyst, July 2018.*
[51] *"Healthcare Affordability State Policy Scorecard," Healthcare Value Hub, November 2021.*
[52] *"2021 Winning Hospitals: Community Benefit," Lown Institute, 2021.*

3 Make the long-term policy changes needed to sustainably and equitably address upstream drivers of medical debt.

These include federal and state policy strategies that address rising healthcare costs, limited access to comprehensive health insurance, unreasonable cost-sharing expectations, and inequities that induce medical debt and financial hardship. Expanding access to comprehensive health insurance that limits out-of-pocket requirements and incentivizes preventive care can lead to reductions in medical debt. A recent study showed that the decline of medical debt in states that expanded Medicaid under the Affordable Care Act was higher than the decline in states that did not expand Medicaid.[53] Additionally, research shows that insurance in general is associated with reducing the dollar amounts of medical debt.[54]

Some efforts to address these issues through policy change are already underway, including federal efforts to address price transparency and surprise billing.

- The Centers for Medicare & Medicaid Services (CMS) **Hospital Price Transparency rule**, which took effect on January 1, 2021, was met with little compliance, and CMS is now proposing to increase penalties for hospitals that do not comply.[55] Starting in July 2022 and rolling out in stages, the new federal Health Plan Price Transparency rule sets price transparency requirements for most insurers, informing consumers of out-of-pocket expenses for "shoppable" healthcare services.[56]

- Additionally, the recently enacted **No Surprises Act** bans surprise billing for emergency services delivered by out-of-network providers or facilities, as well as for nonemergency services provided by out-of-network providers at in-network facilities without patient consent.[57]

- Many states are also enacting new medical debt protection laws or amending existing ones.[58]

[53] *Jennifer J. Griggs & Carlos F. Mendes de Leon, "Medical Debt as a Social Determinant of Health," JAMA, July 2021.*
[54] *Michael Batty, Christa Gibbs, & Benedic Ippolito, "Unlike Medical Spending, Medical Bills In Collections Decrease With Patients' Age," Project Hope, Health Affairs, July 2018.*
[55] *"Hospital Price Transparency," Centers for Medicare & Medicaid Services, December 2021.*
[56] *"Health Plan Price Transparency," Centers for Medicare & Medicaid Services, January 2022.*
[57] *"No Surprises: Understand your rights against surprise medical bills," Centers for Medicare & Medicaid Services, January 2022.*
[58] *Quynh Chi Nguyen & Mark Rukavina, "A Path Toward Ending Medical Debt: A Look at State Efforts," Community Catalyst, December 2021.*

Progressing From Financial Harm Reduction to Financial Health Improvement

Healthcare stakeholders should broaden medical debt reduction efforts to more holistically improve patient and community financial health. While averting medical debt can prevent a downward cycle of financial ruin and poor health outcomes, ultimately, all health system actors can work to improve financial health of patients and communities, including policymakers.

This broader lens of financial health means working to identify ways to promote consumers' financial wellness. Hospitals and health systems, insurers, and employers that take concerted steps to prevent medical debt are well-positioned to think and act more holistically about financial health.

In particular, those that track patient financial health information are better positioned to:

- Predict which patients may be Financially Vulnerable or at risk of becoming Financially Vulnerable, before care is even needed.
- Develop or customize solutions and partnerships that meet patients' specific financial health needs.
- Close equity gaps in both financial health and health.

Validated Consumer-Reported Measures of Financial Health

- The Financial Health Network's composite FinHealth Score® includes a set of eight simple measures of financial health, including spending relative to income, bill paying, savings sufficiency, and debt manageability.[59]
- The federal Consumer Financial Protection Bureau's Financial Wellbeing Scale includes 10 scaled questions, covering whether the respondent could handle a major unexpected expense, is behind on finances, is getting by financially, and is concerned money won't last.[60]

Medical debt impacts more than 1 in 6 adults and is the leading cause of bankruptcy in the United States. Having health insurance is not enough to shield millions of people from medical debt. With drastic impacts on financial, physical, and mental health, as well as social well-being, medical debt is a social determinant of health and linked to significant inequities. COVID-19 magnified the interdependencies of health, financial health, and equity, creating even more urgency to prevent medical debt.

Although policy and systemic solutions are needed to address the root causes of medical debt, like rising costs of care, higher healthcare cost-sharing, and pervasive inequities, hospitals and health systems, insurers, and employers can take steps toward constructive solutions and strategies that prevent medical debt and its adverse impacts on patients' health and financial lives. Prioritizing the prevention of medical debt can improve patient care experiences for both the insured and uninsured, and move the needle toward equity.

Additional Reading

Explore strategies for specific groups within the healthcare ecosystem to prevent medical debt in these three companion reports.

Recommendations for

- Hospitals and Health Systems
- Insurers
- Employers

[59] "FinHealth Score® Toolkit," *Financial Health Network.*
[60] "CFPB Financial Well-Being Scale Questionnaire," *Consumer Financial Protection Bureau.*

APPENDIX A

Key Terms

Bad debt
A hospital incurs bad debt when it cannot obtain reimbursement for care provided; this happens when patients are unable to pay their bills and the amount is considered unrecoverable.[61]

Community benefit
Community benefits are programs or activities that provide treatment and/or promote health and healing as a response to community needs.[62]

Community Health Needs Assessment
A systematic process to identify and analyze health needs of a community that is required for nonprofit hospitals.

Cost-sharing
The share of healthcare costs that the patient is responsible for paying out of pocket, generally including deductibles, coinsurance, and copayments.[63]

Medical debt
Medical debt occurs when an unpaid medical bill is past due.[64] This unpaid medical bill then can (1) go into debt collections where the debt collector seeks payment from the patient on behalf of the healthcare provider, (2) be sold to a debt buyer who then owns the debt and seeks payment from the patient, or (3) be recognized as bad debt, which the healthcare provider writes off as a business loss.

Financial assistance policy
Financial assistance policies, also called charity care policies, help provide free or discounted medical services to patients who meet certain eligibility standards and are unable to pay for their medical treatments.[65] They were created under the Affordable Care Act to address medical debt and increase transparency. Specifically, these regulations apply to nonprofit hospitals and are overseen by the Internal Revenue Service, or IRS.

- ***Charity care*** is free or discounted, medically necessary healthcare that hospitals offer to people who cannot afford to pay for treatment otherwise.[66]

Out-of-pocket costs
Healthcare expenses that are not reimbursed by insurance and the patient is responsible for paying.[67] These include deductibles, coinsurance, and copayments, as well as the costs for services that insurance does cover.

Price transparency tools
Tools that give patients information that allows them to know the price or cost of a healthcare service before receiving it.[68]

Surprise billing
An unexpected bill from a healthcare provider that can happen when a patient receives care from a provider outside of their health plan's network.[69]

[61] *Kelly Gooch, "5 things to know about hospital bad debt," Becker's Hospital Review, August 2019.*
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[63] *"Cost Sharing," HealthCare.gov Glossary.*
[64] *Courtnee Melton, "Medical Debt 101: How a Medical Bill Becomes Medical Debt," Sycamore Institute, May 2019.*
[65] *"Financial Assistance Policies (FAPs)," Internal Revenue Service, January 2022.*
[66] *"Uncompensated Hospital Care Cost Fact Sheet," American Hospital Association, December 2010.*
[67] *"Out-of-Pocket Costs," HealthCare.gov.*
[68] *"Hospital Price Transparency," Centers for Medicare & Medicaid Services, December 2021.*
[69] *"Requirements Related to Surprise Billing; Part II Interim Final Rule with Comment Period," Centers for Medicare & Medicaid Services, September 2021.*

APPENDIX B

Stakeholder Advisory Council

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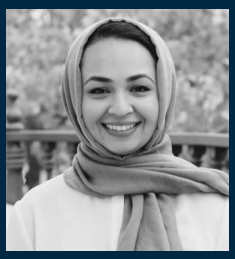

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