

Medical Debt Burden in the United States

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Executive Summary

Key findings of this report include:

- CFPB research shows \$88 billion in medical debt on consumer credit records as of June 2021. The total amount of medical debt in collections in the U.S. is likely higher, since not all medical debts in collections are furnished to consumer reporting companies.
- Most medical debt collection tradelines on consumer credit reports are under \$500, although many people with medical debt have multiple medical collection tradelines.
- As of 2021, 58 percent of all third-party debt collection tradelines were for medical debt, making medical debt the most common debt collection tradeline on credit records. The next most common collections tradeline was telecommunications debt, at only 15 percent of tradelines.
- Past-due medical debt reported to consumer reporting companies can appear on a person's credit reports and lower their credit scores. This may reduce their access to credit and make it harder to find a home or a job.
- Medical debt collections are less predictive of future payment problems than other debt collections are. Certain newer credit models take this into account, but some widely-used models still weight medical and nonmedical collections equally.
- Black and Hispanic people, and young adults and low-income individuals of all races and ethnicities, are more likely to have medical debt than the national average. As a result, these populations may be more heavily impacted by outdated credit models that overestimate the predictiveness of medical debt. Older adults and veterans are also heavily impacted by medical debt. Additionally, medical debt is more prevalent in the Southeastern and Southwestern U.S.
- Medical bill amounts can be unpredictable and often vary widely based on patient and provider characteristics. Uninsured and out-of-network patients are often charged prices that are much higher than what in-network insurers pay—even though the uninsured may have little ability to pay. The prices charged to uninsured and out-of-network patients sometimes significantly exceed providers' costs. Markups are especially high for emergency care, and for-profit investor-owned hospitals charge higher average markups.

1. Introduction

Medical debt is the most common collection tradeline reported on consumer credit records.¹ People also report being contacted by debt collectors about medical debt more than any other type of debt.² While medical debt has long played an outsized role on credit reports, concerns about medical debt collections and reporting are particularly elevated due to the COVID-19 pandemic. Many people have incurred pandemic-related medical debt. Frontline workers may be particularly likely to have pandemic-related medical debt since they have more exposure to the virus but are less likely to have health insurance than the general population.

The pandemic has also highlighted the unique characteristics of medical debt compared to other consumer debts. Unlike many other consumer debts, people rarely plan to take on medical debt. Two-thirds of medical debts are the result of a one-time or short-term medical expense arising from an acute medical need.³ Medical debt is also unique in that people have less ability to shop around for medical services. Choice of medical services is limited due to price opacity, restrictive insurance networks, constraints on provider availability, and in some cases, emergency need. Nonetheless, medical debt is the debt which is most frequently reported to consumer reporting companies.

Some communities have higher rates of medical debt than the national average. In particular, young adults, people with low incomes, and Black and Hispanic people, are disproportionately likely to have medical debt. Veterans and older adults are also significantly impacted by medical debt. Medical debt rates also vary geographically, with more people having medical debt in Southern states.

Medical billing and collections practices can be confusing and difficult to navigate. Prices for the same services are usually higher for uninsured and out-of-network patients than for in-network patients.⁴ Even in-network prices can vary substantially between different facilities or different departments.⁵ After billing, providers often send unpaid accounts to third-party collections

¹ Furey, Michael and Ryan Kelly. "Market Snapshot: Third-Party Debt Collections Tradeline Reporting." *Consumer Financial Protection Bureau*. July 18, 2019. https://files.consumerfinance.gov/f/documents/201907_cfpb_third-party-debt-collections_report.pdf.

² "Consumer Experiences with Debt Collection." *Consumer Financial Protection Bureau*. January 2017. https://files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf.

³ Hamel, Liz *et al.* "The Burden of Medical Debt: January 2016 Results from the Kaiser Family Foundation/New York Times Medical Bills Survey." *Kaiser Family Foundation*. January 2016. <https://www.kff.org/wp-content/uploads/2016/01/8806-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey.pdf>.

⁴ Anderson, Gerard. "From 'Soak the Rich' To 'Soak the Poor': Recent Trends In Hospital Pricing." *Health Affairs*. June 2007. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.26.3.780>.

⁵ Xu, Tim, Angela Park and Ge Bai. "Variation in Emergency Department vs Internal Medicine Excess Charges in the United States." *JAMA Internal Medicine*. 2017. <https://pubmed.ncbi.nlm.nih.gov/28558093/>.

agencies. These agencies have little access to providers' records. This can make it difficult for people to confirm that the medical debts that collectors contact them about are valid and accurate.

Once medical bills enter collections, they are often reported to consumer reporting companies. Medical debt collections on an individual's credit report can impact their ability to buy or rent a home, raise the price they pay for a car or for insurance, and make it more difficult to find a job. This impact is particularly pronounced when lenders, insurers, landlords, and others rely on outdated credit scoring models that fail to take into account that medical collections are less predictive than nonmedical collections of future credit performance.

Medical debt can also lead people to avoid medical care, develop physical and mental health problems, and face adverse financial consequences like lawsuits, wage and bank account garnishment, home liens, and bankruptcy. Given the widespread impact of COVID-19, addressing medical debt is an urgent priority.

This report summarizes key areas of concern in medical debt collections and reporting. We begin with a section describing the medical debt landscape. We then discuss the negative consequences of medical debt for consumers. Next, we outline the impact of the COVID-19 pandemic on medical debt. We conclude with a brief discussion of federal and state regulatory developments.

2. The Medical Debt Landscape

Although medical debt is the most common collection on consumer credit reports, the decentralized nature of medical debt billing, reporting, and collections makes it difficult to get a full picture of the medical debt landscape.⁶ In this section, we use the best available data to measure the prevalence and magnitude of past-due medical debt. We also outline the collections practices associated with medical debt. Lastly, we discuss disparities across populations in the distribution of medical debt collections.

2.1 Prevalence and magnitude

Medical debt is the most common collection type on consumer credit reports. However, this does not necessarily mean that medical debt is the most common debt in collections; data suggest that medical debt collections are disproportionately represented on consumer credit reports compared to, for example, collections for credit card and other financial debt.⁷

As shown in Figure 1 below, the absolute number of medical debt collections tradelines on consumer credit reports has declined about 22 percent from Q2 2018 to Q2 2021. However, the share of collections tradelines indicating medical debt has remained high. In Q2 2018, 60 percent of all collections tradelines in the CFPB's Consumer Credit Panel⁸ were medical debt tradelines, while in Q2 2021, 58 percent were medical debt tradelines.⁹ The total balance of medical debt collections on consumer credit reports has also declined over this period, but more slowly; total balance declined about nine percent from Q2 2018 to Q2 2021.

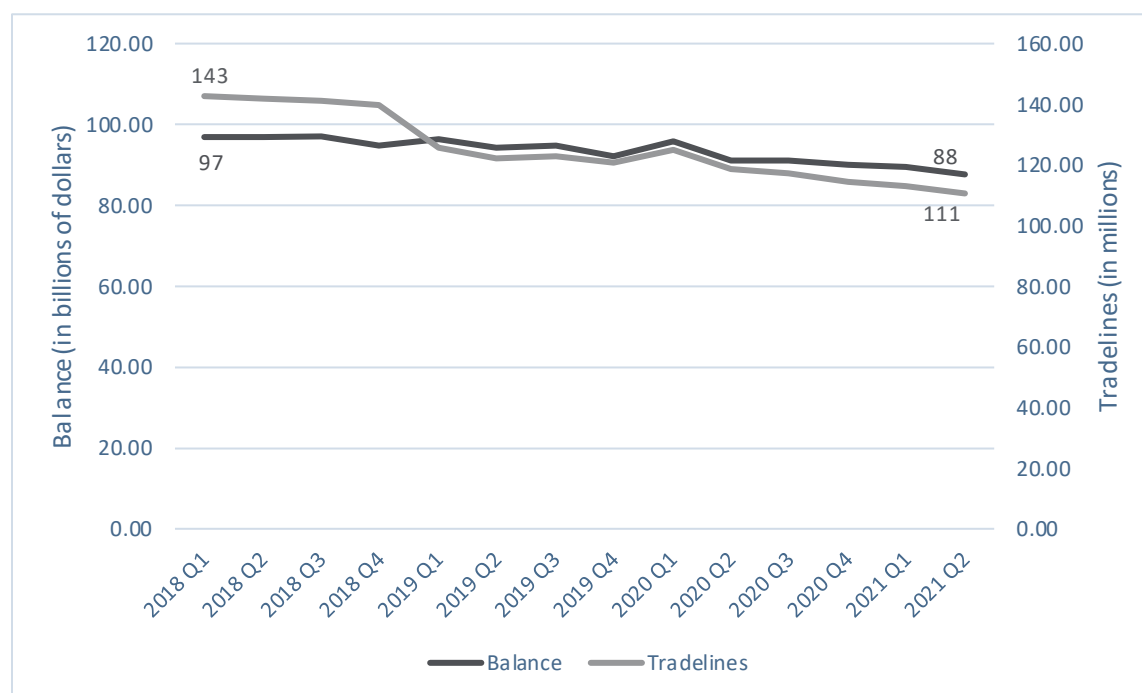
⁶ See, e.g., "Consumer credit reports: A study of medical and non-medical collections." *Consumer Financial Protection Bureau*. December 2014. Pg. 24-25. https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf. "Medical debt reporting is highly fragmented, with the top 10 furnishers accounting for only 18 percent of medical collections tradelines. In contrast, the top 10 furnishers in the utilities, telecommunications, finance company, banking, and retail industries account for between 59 percent and 83 percent of collections tradelines in those industries."

⁷ An internal CFPB analysis shows that as of Q2 2021, 58 percent of collection tradelines were for medical debt, while only 12 percent were for banking and financial debt. See also "Consumer Experiences with Debt Collection" 2017 & Furey and Kelley 2019.

⁸ The Bureau's Consumer Credit Panel is a longitudinal national sample of approximately five million de-identified credit records maintained by one of the three nationwide credit reporting companies.

⁹ Internal CFPB analysis of the Bureau's Consumer Credit Panel (see note 8).

FIGURE 1: MEDICAL DEBT COLLECTIONS IN CONSUMER CREDIT PANEL, 2018 - 2021



Medical debt total balance and total tradelines from the CFPB's Consumer Credit Panel, a 1-in-48 sample of de-identified credit records from one of the three major national consumer reporting agencies (NCRAs). Values have been scaled by 48 to reflect national numbers. See Appendix C for full data.

The total amount of medical debt in collections is not definitively established; recent estimates range from \$81 billion to \$140 billion.¹⁰ Although aggregate and individual-level estimates of the balance of medical debt in collections vary across sources, trends (such as the ratio of medical to non-medical collection) are generally similar.

¹⁰ As shown in Figure 1, data from the Bureau's Consumer Credit Panel reflect an estimated outstanding balance of about \$88 billion in medical debt collections on consumer credit reports with one consumer reporting company as of June 2021. In contrast, a 2020 study published in the *Journal of the American Medical Association (JAMA)* also uses credit report data from one consumer reporting company to estimate that outstanding medical debt in collections totals more than \$140 billion, while a 2018 study published in *Health Affairs* also used the Bureau's Consumer Credit Panel data to arrive at an estimate of \$81 billion. Further research is required to understand the variation in these estimates. However, given that all three estimates are based on a sample of credit reports from a single consumer reporting company, the estimates may understate the total amount of outstanding medical debt in collections, since not all medical debts are reported to all three national consumer reporting companies. Kluender, Raymond *et al.* "Medical Debt in the US, 2009-2020." *Journal of the American Medical Association*. July 20, 2021. <https://jamanetwork.com/journals/jama/article-abstract/2782187>; Internal analysis of the Bureau's Consumer Credit Panel; Batty, Michael, Christa Gibbs and Benedic Ippolito. "Unlike Medical Spending, Medical Bills in Collections Decrease with Patients' Age." *Health Affairs*. July 25, 2018. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.0349>. For information on reporting of collection tradelines to consumer reporting companies, see, e.g. Brevoort, Kenneth, Daniel Grodzicki and Martin Hackmann. "The Credit Consequences of Unpaid Medical Bills." *Journal of Public Economics*. July 2020. Pg. 13-14, 30. <https://www.sciencedirect.com/science/article/abs/pii/S0047272720300670?via%3Dihub>.

Likewise, estimates of the percentage of American adults with medical debt range from 17.8 percent to 35 percent.¹¹ Generally, Americans report higher rates of medical debt on surveys than the rates estimated by researchers using credit report data. For example, 20.8 percent of respondents to the 2015 FINRA NFCS survey said they had past-due unpaid medical debt (see Table 1 below),¹² while 19.5 percent of credit records in the CFPB’s Consumer Credit Panel contained at least one medical debt collections tradeline in 2014.¹³

TABLE 1: PERCENT OF RESPONDENTS REPORTING MEDICAL DEBT IN FINRA NFCS SURVEYS

Year	Yes	No	Unknown/Refused
2015	20.8%	76.6%	2.6%
2018	22.7%	73.9%	3.4%

Percent of respondents in the 2015 and 2018 waves of the FINRA Foundation’s National Financial Capability Study who reported having past-due unpaid health care or medical bills.¹⁴

Self-reported medical debt prevalence may be higher than the prevalence of medical collections tradelines on credit reports for several reasons. One is that not all past-due medical debts are reported to consumer reporting companies¹⁵; another is that surveys aim to estimate the prevalence of medical debt among all U.S. adults, while analyses of credit report data can only estimate the prevalence of medical debt among those with credit reports.

¹¹ A 2014 CFPB analysis of credit report data found that 20 percent of credit reports contained medical debts in collection. An Urban Institute analysis used 2015 survey data from the FINRA National Financial Capability Survey (NFCS) to estimate that 23.8 percent of U.S. adults age 18-64 had past-due medical debt, based on the percent of respondents who reported having past-due medical bills. A Census analysis of 2017 data found that 19 percent of U.S. households had medical costs that they were unable to pay up front or when they received care. A 2021 JAMA study estimated that 17.8 percent of individuals with credit reports had medical debt collections tradelines on their report as of June 2020. Of respondents to a 2021 Healthcare.com survey, 35 percent said they had medical debt. “Consumer credit reports: A study of medical and non-medical collections.” *Consumer Financial Protection Bureau*. December 2014. https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf; Karpman, Michael and Kyle Kaswell. “Past-Due Medical Debt among Nonelderly Adults, 2012–15.” *Urban Institute*. March 2017. https://www.urban.org/sites/default/files/publication/88586/past_due_medical_debt.pdf; Bennett, Neil *et al.* “Who Had Medical Debt in the United States?” *U.S. Census Bureau*. April 2021. <https://www.census.gov/library/stories/2021/04/who-had-medical-debt-in-united-states.html>; CFPB analysis of publicly available FINRA NFCS 2015 data; Kluender *et al* 2021; Grunebaum, Dan. “Americans Knowingly Going Into Medical Debt: Survey.” *Healthcare.com*. December 2021. <https://www.healthcare.com/americans-knowingly-going-into-medical-debt-survey-481593>.

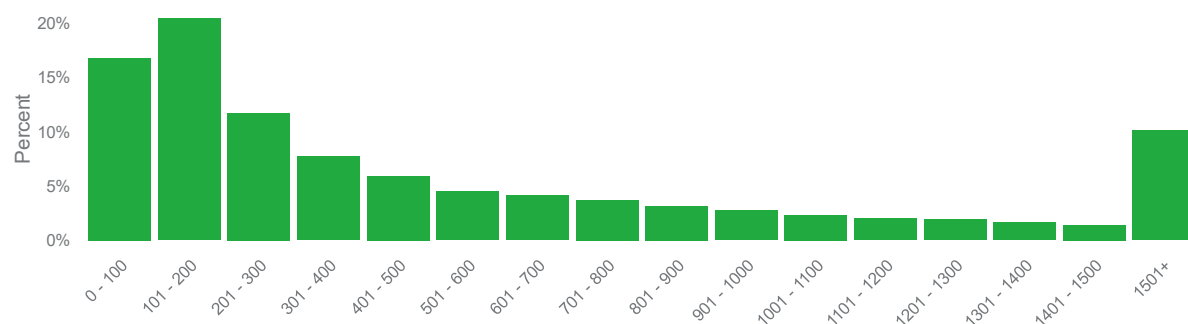
¹² CFPB analysis of publicly available FINRA NFCS 2018 data.

¹³ “Consumer credit reports: A study of medical and non-medical collections” 2014.

¹⁴ CFPB analysis of FINRA Foundation National Financial Capability Study public use survey data, available at <https://www.usfinancialcapability.org/downloads.php>. The National Financial Capability Study (NFCS) is a project of the FINRA Investor Education Foundation (FINRA Foundation).

¹⁵ See note 10.

FIGURE 2: DISTRIBUTION OF MEDICAL COLLECTIONS BALANCES IN CONSUMER CREDIT PANEL, 2020



Source: CFPB CCP.

Distribution of medical collections balance amounts (in dollars) in the CFPB's Consumer Credit Panel as of 2020.

As Figure 2 shows, many medical collections on consumer credit reports are low-dollar accounts.¹⁶ Data from the CFPB's Consumer Credit Panel show that in 2020, the median medical collection was \$310, the mean medical collection was \$773, and 62 percent of medical collections were under \$490.¹⁷

However, many people with medical debt on their credit report have more than one medical collection tradeline. Therefore, studies that use credit report data have generally found that the median total balance owed by an individual with medical debt is higher than the balance of the median medical debt collection tradeline. For example, an Urban Institute analysis found that, as of December 2020, among people who had at least one medical collection on their credit record, the median person owed a total of \$797 in medical debt.¹⁸ Additionally, some medical debts are not included on credit records but may be captured in surveys. For example, households with medical debt reported owing a median total of \$2,000 on the 2018 Census Survey of Income and Program Participation.¹⁹

There are geographic differences in both the percentage of individuals with medical debt collections on their credit reports and the average amount of those debts.²⁰ As Figure 3 illustrates, the South has the highest percentage of individuals with medical debt in collections. A 2021 study published in JAMA found that 23.8 percent of the population in the South had medical debt in collections, while the Northeast had the lowest percentage of individuals with

¹⁶ CFPB analysis of Consumer Credit Panel data.

¹⁷ *Id.*

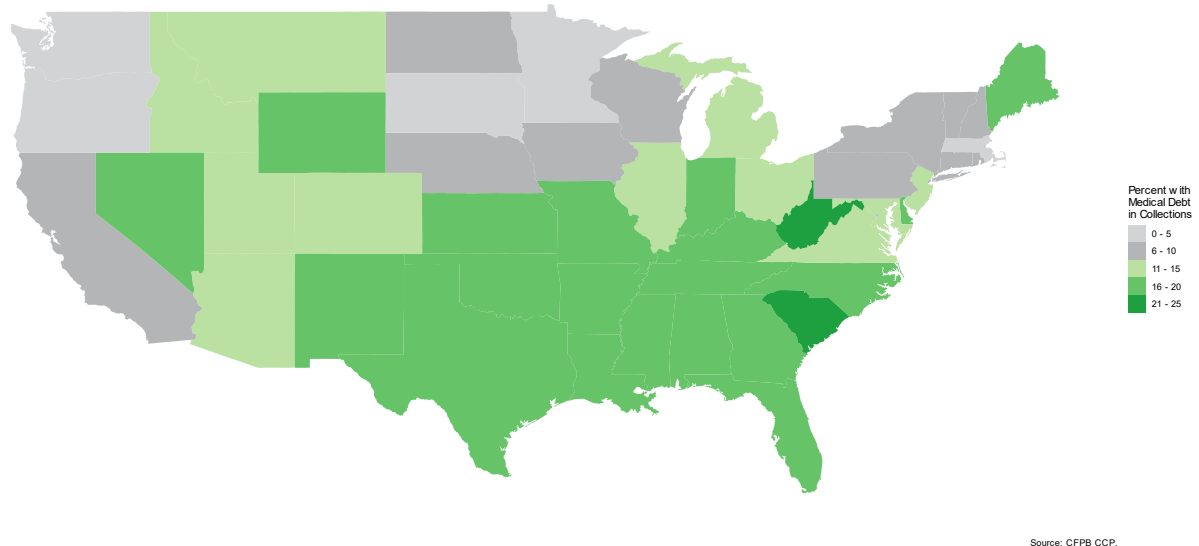
¹⁸ Braga, Breno *et al.* "Debt in America: An Interactive Map." *Urban Institute*. March 31, 2021. https://apps.urban.org/features/debt-interactive-map/?type=medical&variable=perc_debt_med.

¹⁹ Bennett *et al* 2021.

²⁰ Goldsmith-Pinkham, Paul, Maxim Pinkovskiy and Jacob Wallace. "The Great Equalizer: Medicare and the Geography of Consumer Financial Strain." Preprint, submitted February 4, 2021. <https://arxiv.org/pdf/2102.02142.pdf>.

medical debt in collections, at 10.8 percent of the population.²¹ As of 2021, many states in the South have elected not to expand Medicaid; this is associated with increased frequency of medical debt and higher balances in that region.²²

FIGURE 3: STATE-LEVEL DISTRIBUTION OF MEDICAL DEBT, DECEMBER 2020



Share of individuals residing in each state who have a medical debt in collections on their credit file as of December 2020, according to the CFPB's Consumer Credit Panel.²³ Percent values for each state are listed in Appendix A, pg. 48.

2.2 Billing and collections practices

Medical debt originates from a transaction between a person and their healthcare provider. Providers' billing practices may affect the amount of medical debt their patients take on. Their collection practices may impact their patients' financial health.

Some providers put strong policies and procedures in place to ensure patients are charged fair prices, have access to financial assistance, and are not subject to aggressive collections actions. Other providers' policies and procedures do not fully protect patients from harm. The following section discusses billing and collections practices which may put people at risk.

²¹ Kluender *et al* 2021.

²² *Id.*

²³ CFPB Consumer Credit Panel. *See also* Braga *et al* 2021.

Billing practices

After an individual receives a medical service, their provider bills the individual and their insurer (if they have one). Billed amounts vary depending on the provider and what insurance, if any, the patient holds. Uninsured and out-of-network patients are often charged higher prices than those paid by in-network insurers for the same medical services.²⁴

Uninsured people are at high risk for medical debt because they lack insurance to assist with any of the bills. However, those with insurance also incur medical debt. In fact, a 2016 survey by the Kaiser Family Foundation found that most people with medical debt had health insurance.²⁶ However, uninsured patients have been charged significantly higher prices than insured patients. For example, in 2004, uninsured patients were charged an average of 2.5 times more for hospital care than their insured counterparts—equivalent to three times the Medicare allowable amount.²⁷ As a result, uninsured people tend to have larger medical debts than insured people.²⁸ This is especially concerning because uninsured people also tend to have lower incomes and less wealth than insured people.

Prices charged to patients can be confusing, often vary widely for the same service, and sometimes substantially exceed the cost of providing care. One 2021 study found that most Americans only “somewhat” understand their insurance charges, and only a third know that hospitals must disclose the price of services.²⁹ Another 2021 study found that 57 of the top 100 largest U.S. hospitals were charging patients more than five times the amount that their care cost the hospital.³⁰ This aligns with an earlier 2015 study published in *Health Affairs* which found that the 50 U.S. hospitals with the highest charge-to-cost ratios

“I called and asked for an itemized invoice, trying to understand how 5 minutes with a doctor . . . could cost \$1500. The response I received was that was the flat rate the hospital charges . . . There was no other reason for that amount.”²⁵

²⁴ Anderson 2007. *See also* Bai, Ge and Gerard F. Anderson. “US Hospitals Are Still Using Chargemaster Markups to Maximize Revenues.” *Health Affairs*. September 2016. <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2016.0093>.

²⁵ “Complaint 4865557.” *Consumer Financial Protection Bureau*. November 1, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4865557>.

²⁶ “Among all people with household medical bill problems, more than six in ten (62 percent) say the person who incurred the bills was covered by health insurance.” Hamel *et al* 2016, pg. 1.

²⁷ Anderson 2007.

²⁸ Hamel *et al* 2016, pg. 8.

²⁹ “Mitre-Harris Poll Survey: 75% Of Health-Insured Individuals in The U.S. Concerned About Medical Bills.” *MITRE-Harris Poll*. December 9, 2021. <https://www.mitre.org/news/press-releases/mitre-harris-poll-survey-health-insured-individuals-concerned-medical-bills>.

³⁰ The study examined charge-to-cost ratios, also known as the list price markup. The three hospitals charging the highest markups were Chippenham Hospital (13x), Sunrise Hospital (12.9x), and Las Palmas Medical Center (12.5x). McGhee, Michelle and Will Chase. “How America’s top hospitals hound patients with predatory billing.” *Axios & Johns Hopkins University*. June 14, 2021. <https://www.axios.com/hospital-billing>.

charged patients about 10 times the Medicare allowable amount.³¹ Concerningly, multiple studies have found that markups are higher at hospitals with more Black and Hispanic patients.³² Higher markups do not correlate with better care; one 2016 study published in *Surgery* found that the risk of postoperative complications and death increased as price-to-cost markup ratio increased.³³ The same study found that investor-owned for-profit hospitals charged the highest markups.

Patients have little ability to avoid hospital markups. In emergency situations, there is no time to compare prices before seeking treatment. Indeed, one study found that median markups were twice as high in emergency rooms as in hospital internal medicine departments, perhaps in part because emergency patients cannot comparison shop.³⁴ The No Surprises Act, which went into effect Jan. 1, 2022, may help protect insured patients from high markups in emergency situations (see Section 5.2.2).³⁵ Even in non-emergency situations, price opacity makes it difficult for patients to get accurate pre-treatment cost estimates. One 2020 study found that although half of all patients sought price information before receiving care, few hospitals provide enough information to allow patients to reliably comparison shop.³⁶ The No Surprises Act may make it easier for patients to compare different healthcare providers' prices, as the Act requires providers to give uninsured or self-pay patients a good faith estimate of the cost of care.³⁷

Financial assistance programs

Some hospitals and managed care organizations have financial assistance programs that aim to reduce financial burdens for low-income patients. Under the federal Affordable Care Act (ACA), nonprofit hospitals are required to offer financial assistance to patients.³⁸ Certain states also require hospitals to offer programs to help patients with medical bills. Eligibility for these programs varies. Several states—including California, Connecticut, Illinois, Maine, Maryland,

³¹ Bai, Ge and Gerard F. Anderson. "Extreme Markup: The Fifty US Hospitals With The Highest Charge-To-Cost Ratios." *Health Affairs*. June 2015. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2014.1414>.

³² Xu, Park and Bai 2017 (see note 5); Gani *et al.* "Hospital markup and operation outcomes in the United States." *Surgery*. July 2016. Pg. 169-177. <https://www.sciencedirect.com/science/article/abs/pii/S0039606016300022?via%3Dihub>.

³³ Gani *et al* 2016.

³⁴ Xu, Park and Bai 2017.

³⁵ The Act makes it illegal for out-of-network emergency health providers to bill insured patients for more than what they would pay an in-network provider under their insurance plan. The Act also creates a new arbitration process to determine what insurers must pay out-of-network emergency service providers. Pub. L. 116-260, 134 Stat. 1182 (2020), Division BB, Title I.

³⁶ Lu, Amanda J. *et al.* "Price transparency implementation: Accessibility of hospital chargemasters and variation in hospital pricing after CMS mandate." *Healthcare*. 2020. <https://www.sciencedirect.com/science/article/abs/pii/S2213076420300427>.

³⁷ "Understanding costs in advance." *Centers for Medicare & Medicaid Services*. January 12, 2022. <https://www.cms.gov/nosurprises/consumers/understanding-costs-in-advance>.

³⁸ 26 U.S.C. § 501(r).

Nevada, New Jersey, New York, Rhode Island, and Washington—require discounted or free care for people with low incomes.³⁹ Certain states extend these protections to those with moderate incomes, as well. In most states, the mandates apply to all hospitals, but in some states, mandates cover only nonprofit, publicly funded, rural, or critical-access hospitals. See Appendix B, pg. 50, for a list of protections by state. States and the federal government offer additional financial assistance programs for those with medical bills through government health insurance programs such as Medicare and Medicaid.

Collections practices

If, after any applicable insurance payments, an individual who receives medical services does not pay their provider's bill, the medical provider will typically try to collect the outstanding balance itself using an internal collections team. Internal collection efforts often include phone calls, letters, emails, and offers of payment plans or settlements. Providers also often warn individuals that if the debt is not paid, it will be sent to collections and might be credit reported.⁴⁰

If internal collection attempts are unsuccessful, the medical provider commonly assigns the account to a third-party collection agency, places the account with a collection attorney for litigation, or, more rarely, sells the account to a debt buyer.

Placement with a third-party debt collection agency is the most common outcome for unpaid medical debt balances. A 2019 CFPB analysis of consumer credit reports found that 66 percent of all debt collection tradelines reported by third-party debt collectors were medical debts.⁴¹

Litigation is generally reserved for large-balance accounts; many hospitals and other providers have policies in place to ensure that they do not sue over small-balance accounts. However, some providers choose to pursue aggressive litigation strategies which, in at least some instances, may result in individuals with relatively small delinquent balances being sued. For example, one 2016 ProPublica investigation found that some Nebraska hospitals had, on at least

³⁹ Stark, Andrea B. "An Ounce of Prevention: A Review of Hospital Financial Assistance Policies in the States." *National Consumer Law Center*. January 2020. Pg. 9-12. <https://www.nclc.org/images/pdf/medical-debt/report-ounce-of-prevention-jan2020.pdf>.

⁴⁰ Very few medical providers furnish consumer debts to consumer reporting companies; however, many providers who use third-party collections agencies ask those agencies to furnish debts to consumer reporting companies on their behalf.

⁴¹ Furey and Kelly 2019.

some occasions, sued patients with delinquent account balances as low as \$60.⁴² Another study found that from 2015 and 2019, the median amount New York hospitals sued for was \$1,900.⁴³

Consumer advocates have criticized some hospitals for engaging in aggressive legal collection practices. In New York, for example, certain hospitals have collected over \$442 million from filing liens on the homes of patients with unpaid medical debts.⁴⁴ In response to public pressure, some hospitals have stopped filing lawsuits and enforcing judgments.⁴⁵

In addition to the litigation channel, there also is a debt buyer market in which medical accounts are sold. However, for-profit debt buyers primarily purchase non-healthcare debt⁴⁶; as of the second quarter of 2018, only one percent of all collections tradelines furnished to consumer reporting companies by debt buyers were for medical debts.⁴⁷

The complexity of medical billing and reimbursement sometimes results in people being improperly contacted about debts in collections which they do not owe or do not recognize. As Figure 4 shows, from 2018 to 2021, “attempts to collect debt not owed” has been the most frequent complaint about medical debt to the CFPB. For example, one individual reported that she was sued by a debt collector for an alleged debt which had already been paid by her insurer:

“[The agency] had me served with court papers...for medical bills. They had already been paid in full by my insurance company. I was being sued for like \$450... [The

⁴² Nebraska hospitals may have been more likely than those in other states to litigate small-balance accounts because the cost to file a suit in Nebraska was only \$45 as of 2016. However, research suggests that most debt collection lawsuits are for relatively small amounts; a nationwide analysis from Pew Research found that 75 percent of all civil case judgments were for less than \$5,200. Additionally, a *New York Times* analysis found that in 2018, some hospitals sued for amounts as low as \$46. Kiel, Paul. “For Nebraska’s Poor, Get Sick and Get Sued.” *ProPublica*. April 28, 2016. <https://www.propublica.org/article/for-nebraskas-poor-get-sick-and-get-sued>; Rickard, Erika et al. “How Debt Collectors Are Transforming the Business of State Courts.” *Pew Charitable Trusts*. May 2020. <https://www.pewtrusts.org/-/media/assets/2020/06/debt-collectors-to-consumers.pdf>; Kliff, Sarah. “With Medical Bills Skyrocketing, More Hospitals Are Suing for Payment.” *New York Times*. November 8, 2019. <https://www.nytimes.com/2019/11/08/us/hospitals-lawsuits-medical-debt.html>.

⁴³ Benjamin, Elisabeth and Amanda Dunker. “Discharged into Debt: New York’s Nonprofit Hospitals Are Suing Patients.” *Community Service Society*. March 2020. https://smhttp-ssl-58547.nexcesscdn.net/nycss/images/uploads/pubs/2020_Hospital_Report_V3_web.pdf.

⁴⁴ Benjamin, Elisabeth and Amanda Dunker. “Discharged into Debt: Nonprofit Hospitals File Lien on Patients’ Homes.” *Community Service Society*. November 2021. <https://smhttp-ssl-58547.nexcesscdn.net/nycss/images/uploads/pubs/Liens.pdf>.

⁴⁵ Adams, Katie. “Negative media coverage is curtailing medical debt lawsuits against patients, study says.” *Becker’s Hospital Review*. August 31, 2021. <https://www.beckershospitalreview.com/finance/negative-media-coverage-is-curtailing-medical-debt-lawsuits-against-patients-study-says.html>.

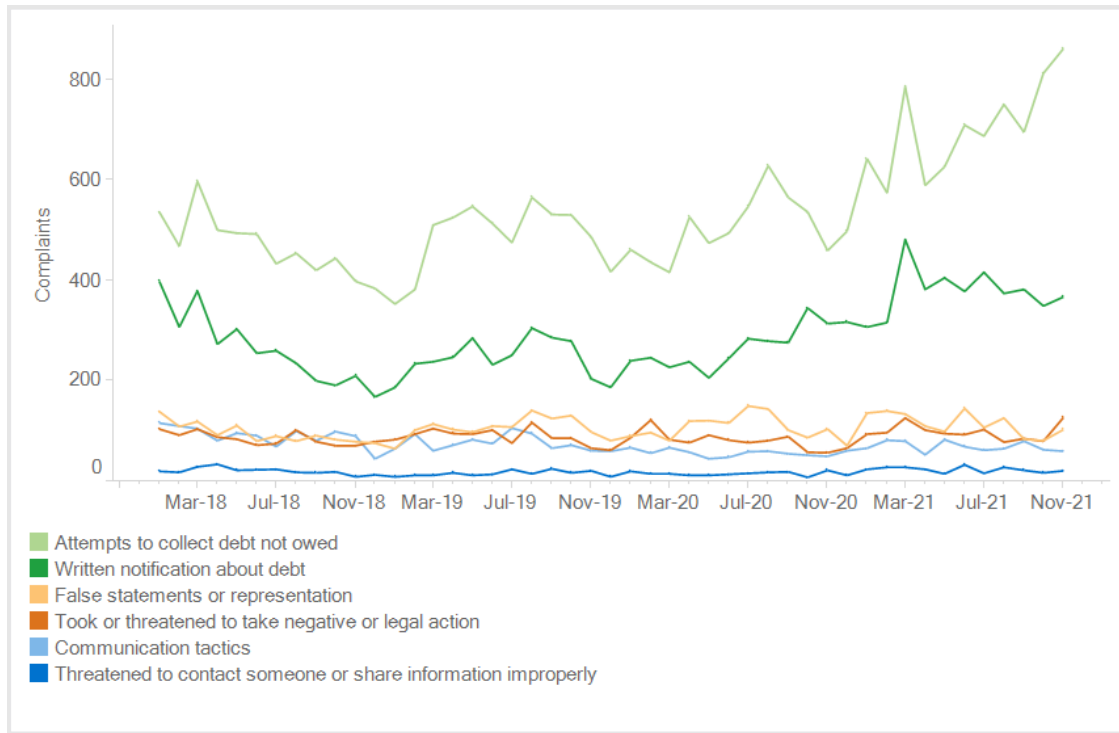
⁴⁶ Some medical debts placed for sale are purchased by non-profit organizations which then forgive the debt. See, e.g., “RIP Medical Debt.” *RIP Medical Debt*. <https://ripmedicaldebt.org/>.

⁴⁷ Furey and Kelly 2019.

*collector] garnished my husband's check for almost \$300 for bills we did NOT owe!"*⁴⁸

Insurance disputes and adjustments are a significant source of complexity in the medical billing and collections process. Disorganized billing and reimbursement practices can lead to significant consumer harm.

FIGURE 4: MEDICAL DEBT COMPLAINTS DATA FROM THE CFPB'S CONSUMER COMPLAINT DATABASE, 2018-2021.



2.3 Population disparities

Research shows that Americans from all walks of life can and do incur medical debt. However, certain populations—including lower-income individuals, people of color, veterans, young adults, and older Americans—are more likely to incur medical debt and to face challenges resolving it.

⁴⁸ "Complaint 4672639." *Consumer Financial Protection Bureau*. August 30, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4672639>.

2.3.1 Low-income individuals

Low-income individuals are substantially more likely to incur medical debt than those in higher income categories. In a 2016 Kaiser Family Foundation survey, approximately four in 10 individuals with household incomes under \$50,000 said they had difficulty paying medical bills in the past year, compared with 14 percent of those with household incomes over \$100,000.⁴⁹ Additionally, the survey found that those without a college degree are more likely to have problems paying medical bills than those with a degree.

“I am low-income and even such a low debt is extremely crippling to me.”⁵³

Medical debts tend to be higher than the national average in neighborhoods with lower median income, especially in the South. One analysis of credit records found that in 2020, the mean medical debt in the lowest-income zip code decile in the U.S. was \$677—more than five times higher than the mean medical debt in the highest-income zip code decile, which was \$126.⁵⁰

Furthermore, many low-income people lack health insurance. The uninsured face substantially higher risk of incurring medical debt. In one 2016 survey by the Kaiser Family Foundation, more than half (53 percent) of uninsured people said they had problems paying medical bills in the past year—substantially higher than the 19 percent of those with employer-sponsored plans or the 18 percent of those with Medicaid who said the same.⁵¹ Uninsured people also are often charged more than what in-network insurers pay for any given medical service.⁵²

Medicaid expansion provides a case study in the link between insurance coverage and medical debt. A 2021 report published in the *Journal of the American Medical Association* found that people in states that did not expand Medicaid in 2014 had \$375 more in new medical debt on average than people in states that did participate in the program.⁵⁴ Disparities in medical debt balances between these states increased 34 percent from those that had already existed before Medicaid expansion in 2014.⁵⁵ Additionally, studies have found that low-income people in Medicaid expansion states report less difficulty paying their medical bills than low-income

⁴⁹ Hamel *et al* 2016, pg. 27.

⁵⁰ Kluender *et al* 2021.

⁵¹ Hamel *et al* 2016.

⁵² See, e.g., Anderson 2007.

⁵³ “Complaint 3064494.” *Consumer Financial Protection Bureau*. November 3, 2018.
<https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3064494>.

⁵⁴ Kluender *et al* 2021.

⁵⁵ *Id.*

people in non-expansion states.⁵⁶ Other studies have linked Medicaid expansion to reduced Chapter 7 bankruptcy rates⁵⁷ and improved credit scores.⁵⁸ One notable feature of Medicaid is its prohibition on balance billing—the practice of billing patients for the difference between their provider’s charge and their insurer’s allowed amount—which may help reduce medical debt among Medicaid beneficiaries.⁵⁹

As described in Section 2.2, many medical providers offer charity care or payment assistance programs to assist low-income individuals with medical bills. However, many eligible people are not informed about the programs or are unable to successfully apply. One consumer wrote in a complaint to the CFPB:

*The place where I worked closed their doors after bankruptcy. I'd been looking desperate[ly] for a job... I explained to the hospital my situation, they never told me that the hospital had a program for low- or no-income people to pay off a portion of debt.*⁶⁰

Some hospitals create barriers to accessing charity care, such as requiring patients to request applications multiple times, using extremely lengthy applications, asking patients to submit detailed financial documentation multiple times a year, or requiring that patients first pursue other funding sources.⁶¹ Documentation requirements for charity care may be burdensome for the unbanked, those in informal or gig employment, or those without access to the internet.⁶²

As a result of these and other factors, charity care utilization is low. One 2019 Kaiser Health News analysis found that 45 percent of nonprofit hospitals routinely billed patients whose incomes are low enough to qualify for charity care.⁶³ Similarly, a 2021 Maryland government

⁵⁶ Miller, Sarah, and Laura Wherry. “Four Years Later: Insurance Coverage and Access to Care Continue to Diverge Between ACA Medicaid Expansion and Non-Expansion States.” *AEA Papers and Proceedings*. <https://www.aeaweb.org/articles?id=10.1257/pandp.20191046>; McMorrow, Stacey *et al.* “Medicaid Expansion Increased Coverage, Improved Affordability, and Reduced Psychological Distress for Low-Income Parents.” *Health Affairs*. May 2017. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2016.1650>.

⁵⁷ Kuroki, Masanori. “The Effect of Health Insurance Coverage on Personal Bankruptcy: Evidence from the Medicaid Expansion.” *Review of Economics of the Household*. June 2021. https://ideas.repec.org/a/kap/reveho/v19y2021i2d10.1007_s11150-020-09492-0.html.

⁵⁸ Brevoort, Kenneth, Daniel Grodzicki and Martin Hackmann. “The Credit Consequences of Unpaid Medical Bills.” *Journal of Public Economics*. July 2020. <https://www.sciencedirect.com/science/article/abs/pii/S0047272720300670?via%3Dihub>.

⁵⁹ Shen, Wen S. “Balance Billing: Current Legal Landscape and Proposed Federal Solutions.” *Congressional Research Service*. April 15, 2019. <https://sgp.fas.org/crs/misc/LSB10284.pdf>.

⁶⁰ Edited for clarity. “Complaint 3359843.” *Consumer Financial Protection Bureau*. September 2, 2019. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3359843>.

⁶¹ Rau, Jordan. “Patients Eligible For Charity Care Instead Get Big Bills.” *Kaiser Health News*. October 14, 2019. <https://khn.org/news/patients-eligible-for-charity-care-instead-get-big-bills/>; Goodman, Christopher *et al.* “Charity Care Characteristics and Expenditures Among US Tax-Exempt Hospitals in 2016.” *American Journal of Public Health*. 2020. <https://pubmed.ncbi.nlm.nih.gov/32978357/>.

⁶² *Id.*

⁶³ *Id.*

study found that 60 percent of hospital charges to families entitled to charity care under state law were instead categorized as “bad debt,” meaning hospitals tried to collect this debt, then wrote it off.⁶⁴ Additionally, an analysis by the California Nurses Association found that charity care made up less than one percent of operating expenses for California nonprofit hospitals in 2016.⁶⁵

2.3.2 Racial and ethnic disparities

As a result of inequities in wealth, occupation, income, insurance coverage, and access to care, people of color are more likely to have medical debt in collections. This is in line with research showing that communities of color have higher rates of consumer debt in collections than predominantly white communities.⁶⁶

Lower wealth and incomes mean that people of color are less able to pay unexpected and/or high-balance medical bills: in 2016, the median Black household had a net worth of \$17,100 and the median Hispanic household had a net worth of \$20,765, compared with \$171,000 for the median white household.⁶⁷ Occupational disparities mean that Black, Hispanic, and Native American individuals have less access to health insurance through the workplace.⁶⁸ In 2018, 28 percent of Native American/Alaskan Native adults were uninsured, 22 percent of Hispanic/Latino adults were uninsured, and 12 percent of Black adults were uninsured compared to 9 percent of white adults and 7 percent of Asian adults.⁶⁹ Data from the first half of 2021 suggests that Black and Hispanic adults have continued to experience elevated uninsured rates during the pandemic.⁷⁰

⁶⁴ Tozzi, John. “Medical Debt Is Crushing Black Americans, and Hospitals Aren’t Helping.” *Bloomberg*. November 22, 2021. <https://www.bloomberg.com/news/features/2021-11-22/medical-debt-collection-tactics-disproportionately-hit-black-americans>.

⁶⁵ “New Data: Big Drop in Charity Care Provided by California Non-Profit Hospitals This Decade.” *California Nurses Association*. June 13, 2018. <https://www.nationalnursesunited.org/press/new-data-big-drop-charity-care-provided-california-non-profit-hospitals-decade>.

⁶⁶ Braga *et al* 2021.

⁶⁷ Maxwell, Connor and Danyelle Solomon. “The Economic Fallout of the Coronavirus for People of Color.” *Center for American Progress*. April 14, 2020. <https://www.americanprogress.org/article/economic-fallout-coronavirus-people-color/>.

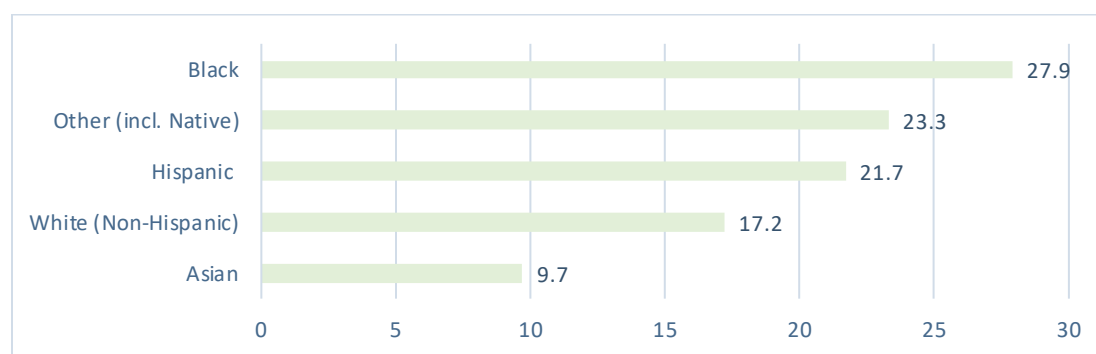
⁶⁸ Dubay, Lisa *et al*. “How Risk of Exposure to the Coronavirus at Work Varies by Race and Ethnicity and How to Protect the Health and Well-Being of Workers and Their Families.” *Urban Institute*. December 2020. https://www.urban.org/research/publication/how-risk-exposure-coronavirus-work-varies-race-and-ethnicity-and-how-protect-health-and-well-being-workers-and-their-families/view/full_report.

⁶⁹ Finegold, Kenneth *et al*. “Trends in The U.S. Uninsured Population, 2010-2020.” *U.S. Department of Health and Human Services*. February 11, 2021. <https://aspe.hhs.gov/sites/default/files/private/pdf/265041/trends-in-the-us-uninsured.pdf>.

⁷⁰ Collins, Sara, Gabriella Aboulafia and Munira Gunja. “As the Pandemic Eases, What Is the State of Health Care Coverage and Affordability in the U.S.?” *The Commonwealth Fund*. July 16, 2021. <https://www.commonwealthfund.org/publications/issue-briefs/2021/jul/as-pandemic-eases-what-is-state-coverage-affordability-survey>.

Low-income and uninsured individuals sometimes turn to charity care programs to pay for medical care or to pay debts resulting from medical care, as discussed in Section 2.3.1. However, some people of color report being less likely to receive information about charity care programs or be referred to them.⁷¹ In Maryland, 50 percent of Black respondents to a consumer rights group survey said they were not aware that hospitals provide free and reduced-cost care for low-income patients; 21 percent of white respondents said the same.⁷² Charity care may be especially hard for undocumented people to access, as undocumented immigrants may be afraid or unable to provide the information required to qualify.⁷³

FIGURE 5: PERCENT OF HOUSEHOLDS WITH MEDICAL DEBT BY RACE/ETHNIC ORIGIN OF HOUSEHOLDER, 2017



Data from U.S. Census Bureau 2018 Survey of Income and Program Participation (SIPP).⁷⁴

The impact of these disparities is evident in the distribution of medical debt by race. An Urban Institute analysis found that in 2015, 31 percent of nonelderly Black adults had past-due medical bills, compared to only 23 percent of nonelderly white adults.⁷⁵ A 2018 FINRA survey had similar results; 26 percent of non-white respondents reported having medical debt, compared to 21 percent of white respondents.⁷⁶ Likewise, as Figure 5 above shows, a 2018 Census Bureau survey found that 28 percent of Black households and 22 percent of Hispanic households reported medical debt, compared to 17 percent of white households and 9.7 percent of Asian

⁷¹ Tozzi 2021.

⁷² “Gonzalez Maryland Poll: October 2020.” *Gonzalez Polls, Inc.* October 2020. <https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/601dbc9a7febbd1794cb304d/1612561564206/MCRC+Report+-+Gonzales+Maryland+Poll+October+2020+%283%29.pdf>.

⁷³ Tozzi 2021.

⁷⁴ “Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2017.” *U.S. Census Bureau.* October 8, 2021. <https://www.census.gov/data/tables/2017/demo/wealth/wealth-asset-ownership.html>.

⁷⁵ McKernan, Signe-Mary, Steven Brown and Genevieve Kenney. “Past-due medical debt a problem, especially for black Americans.” *Urban Institute.* <https://www.urban.org/urban-wire/past-due-medical-debt-problem-especially-black-americans>.

⁷⁶ CFPB analysis of FINRA data.

households. Of households belonging to other racial and ethnic groups, including Native American/Alaskan Native households, 23.3 percent had medical debt.⁷⁷

Since Black and Hispanic adults are more likely to have medical debt, they are likely to be more heavily impacted by certain credit scoring models which overstate the predictiveness of medical debt (see Section 3.1.1).

2.3.3 Veterans

From 2018 to 2021, the CFPB has received more than 5,000 complaints from servicemembers and veterans about medical debt. Servicemember and veteran complaints account for about 10 percent of all medical debt complaints received during this time period.

Although some eligible veterans receive healthcare from the Department of Veterans Affairs (VA), many complaints to the CFPB come from veterans who sought care at non-VA facilities. In certain limited cases, the VA may pay for care received by eligible veterans at non-VA facilities.⁷⁸ Some veterans may incur medical debt because they believe non-VA care will be paid by the VA, but later learn that the provided care does not meet VA standards for payment. In other cases, non-VA medical providers may improperly refer bills which were paid or should have been paid by the VA to third-party collections agencies. In such cases, balances may be improperly reported to credit agencies as delinquent debt.⁷⁹

Separately, veterans eligible for VA care may owe co-pays or fees after being treated at a VA facility.⁸⁰ If co-pays or fees are not paid and result in an outstanding debt, the VA may report these debts to consumer reporting companies.⁸¹ The reported debt can have serious consequences, including reducing veterans' access to credit, creating difficulty securing housing,

⁷⁷ "Wealth, Asset Ownership, & Debt of Households Detailed Tables: 2017" 2021.

⁷⁸ For example, under the VAMMISSION Act of 2018, veterans eligible for VA care can be referred to non-VA healthcare providers and have their care paid for by the VA if they meet one of six eligibility criteria. *See, e.g., "Veteran Community Care Eligibility." U.S. Department of Veterans Affairs.* https://www.va.gov/COMMUNITYCARE/docs/pubfiles/factsheets/VA-FS_CC-Eligibility.pdf. Another example is that for eligible veterans rated as at least 50 percent disabled by the VA, necessary emergency care at non-VA facilities is reimbursed by the VA. Some limitations apply to the coverage of emergency care. *See, e.g., "Emergency Medical Care." U.S. Department of Veterans Affairs.* https://www.va.gov/communitycare/programs/veterans/emergency_care.asp.

⁷⁹ *See, e.g., "Complaint 4459594." Consumer Financial Protection Bureau.* June 16, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4459594>.

⁸⁰ "2021 VA health care copay rates." *U.S. Department of Veterans Affairs.* 2021. <https://www.va.gov/health-care/copay-rates/>.

⁸¹ 31 U.S.C. 3711(e); Sec. 31001(k), Public Law 104-134, 110 Stat. 1321.

or jeopardizing employment (particularly for veterans holding jobs that require a security clearance).⁸²

During the pandemic, the VA suspended debt collection activities from April 6, 2020 through September 30, 2021. Veterans were not charged copayments or other cost sharing for health care received through available authorities during this time, thanks to funds provided by the American Rescue Plan. As of October 1, 2021, the VA restarted debt collection activities.⁸³ Approximately 875,000 veterans with pre-pandemic debt are expected to be impacted. The VA reports an existing balance of \$382 million in outstanding medical care debt.

The VA recently enacted changes to better support veterans with medical debt. Specifically, the VA will generally only report medical and certain other debt: 1) after exhausting available collection efforts; 2) when the debtor has not been determined by the VA to be catastrophically disabled or to meet income levels that would entitle them to cost-free care; and 3) when the debt is over \$25.⁸⁴ These changes could provide a model for other large health networks to adopt new practices which better protect patients.

2.3.4 Young adults

Though medical spending steadily increases with age, medical debt in collections does not.⁸⁵ Young people more frequently see medical debt go to collections, peaking with 27-year-olds, of whom 11.3 percent had a new medical bill enter collections in 2016.⁸⁶ An even larger share of young people reported trouble with their medical bills in a 2016 Kaiser Family Foundation (KFF) survey. Of respondents between the ages of 18 and 29, 31 percent indicated that they or someone in their household had problems paying medical bills in the previous 12 months. Only 24 percent of 30- to 49-year-olds and 25 percent of 50- to 64-year-olds reported problems.⁸⁷

TABLE 2: PERCENT OF FINRA NFCS RESPONDENTS REPORTING MEDICAL DEBT IN 2018 BY AGE⁸⁸

Age Group	Yes	No	Unknown/Refused
18-24	22.6%	71.4%	6.0%

⁸² U.S. Department of Veterans Affairs. “Threshold for Reporting VA Debts to Consumer Reporting Agencies.” *Federal Register*. July 23, 2021. <https://www.federalregister.gov/documents/2021/07/23/2021-15490/threshold-for-reporting-va-debts-to-consumer-reporting-agencies>.

⁸³ See “VA COVID-19 debt relief options for Veterans and dependent.” *U.S. Department of Veterans Affairs*. <https://www.va.gov/resources/va-covid-19-debt-relief-options-for-veterans-and-dependents/>.

⁸⁴ See note 82.

⁸⁵ Batty, Gibbs and Ippolito 2018.

⁸⁶ *Id.*

⁸⁷ Hamel *et al* 2016.

⁸⁸ CFPB analysis of publicly available FINRA NCFS data (see note 14).

Age Group	Yes	No	Unknown/Refused
25-34	32.7%	62.1%	5.2%
35-44	30.1%	66.0%	3.9%
45-54	25.7%	71.3%	3.0%
55-64	18.2%	79.8%	2.1%
65+	8.5%	90.2%	1.2%

Young adults also have higher-balance medical debts in collections on average. One study found that in 2016, median medical debt balances on credit reports increased with age until peaking at \$684 at age 26, then subsequently declined with age.⁸⁹

Young adults are less likely to be insured than older adults; according to the Census Bureau, 15.6 percent of people ages 19 to 34 were uninsured in 2019, compared to 11.3 percent of adults ages 35 to 64 and less than one percent of adults ages 65+.⁹⁰ This may partially explain why young people struggle with medical debt despite their lower medical spending. Large shares of young adults are uninsured, and higher health insurance coverage among older adults corresponds with a clear decrease in the size of medical debts.⁹¹ Even among insured young adults, underinsurance may result in medical debt. Many young people with health insurance cannot afford the cost sharing required by their plans.⁹² This may be exacerbated by the recent boom in popularity of high-deductible health plans (HDHPs)⁹³ and short-term, limited-duration insurance (STLDI),⁹⁴ both of which are primarily marketed to young adults.

Additionally, young people tend to have relatively low incomes. In the third quarter of 2021, the median weekly earnings for 16- to 24-year-olds was \$625, versus \$935 for 25- to 34-year-olds,

⁸⁹ Batty, Gibbs and Ippolito 2018.

⁹⁰ Conway, Douglas. “Adults Age 26 Had Highest Uninsured Rate Among All Ages, Followed By 27-Year-Olds.” *U.S. Census Bureau*. October 26, 2020. <https://www.census.gov/library/stories/2020/10/uninsured-rates-highest-for-young-adults-aged-19-to-34.html>.

⁹¹ *Id.*

⁹² Hamel *et al* 2016.

⁹³ “High deductible health plans and health savings accounts.” *U.S. Bureau of Labor Statistics*. September 3, 2020. <https://www.bls.gov/ncs/ebs/factsheet/high-deductible-health-plans-and-health-savings-accounts.htm>.

⁹⁴ “How CBO and JCT Analyzed Coverage Effects of New Rules for Association Health Plans and Short-Term Plans.” *Congressional Budget Office*. January 31, 2019. <https://www.cbo.gov/publication/54915>.

\$1,149 for 35- to 44-year-olds, and \$1,169 for 45- to 54-year-olds.⁹⁵ Young people today have far fewer assets and more debts, such as student loans, than previous generations at similar ages.⁹⁶

A final factor contributing to the disproportionate share of young people with medical bills in collections is their increased mobility. Young people move more often, which may make it harder for medical providers to bill them and for debt collectors to contact them.⁹⁷

2.3.5 Older adults

People aged 65 and older have higher out-of-pocket health care costs on average than any other age group.⁹⁸ While most older Americans are covered by Medicare, Medicare typically does not cover common health care needs such as hearing, vision, or dental care. Moreover, Medicare does not cover long-term care, and Medicaid only covers certain types of long-term care.⁹⁹ The need for these services increases with age, but many older adults are uninsured for them or cannot afford their copays.¹⁰⁰

Many older adults have constrained incomes, making it difficult to afford medical expenses. One-quarter of all Medicare beneficiaries (15 million people) spent at least 23 percent of their incomes on health-related services, while 12 percent spent nearly half their income on out-

“Me and my husband are retired on a fixed income. We don't have the money to pay for a debt that is paid.”¹⁰¹

⁹⁵ “Table 3. Median usual weekly earnings of full-time wage and salary workers by age, race, Hispanic or Latino ethnicity, and sex, third quarter 2021 averages, not seasonally adjusted.” *U.S. Bureau of Labor Statistics*. October 19, 2021. <https://www.bls.gov/news.release/wkveng.t03.htm>.

⁹⁶ Cramer, Reid *et al.* “The Emerging Millennial Wealth Gap: Wealth and the Credit Health of Young Millennials.” *New America*. October 29, 2019. <https://www.newamerica.org/millennials/reports/emerging-millennial-wealth-gap/>.

⁹⁷ The recent implementation of the Bureau’s final debt collection rule, which clarifies how debt collectors can communicate electronically in compliance with the FDCPA, may affect the ability of debt collectors to reach young adults. We discuss this rule in greater detail in Section 5.

⁹⁸ Foster, Ann. “Consumer expenditures vary by age.” *U.S. Bureau of Labor Statistics*. December 2015. <https://www.bls.gov/opub/btn/volume-4/consumer-expenditures-vary-by-age.htm>.

⁹⁹ Johnson, Richard. “Assessing the Out-of-Pocket Affordability of Long-Term Services and Supports Research Brief.” *Office of the Assistant Secretary for Planning and Evaluation*. May 14, 2019. <https://aspe.hhs.gov/reports/assessing-out-pocket-affordability-long-term-services-supports-research-brief-o>.

¹⁰⁰ For example, in 2015, 49 percent of percent of adults 65+ said they did not go to the dentist because of cost concerns. “Oral Health and Well-Being in the United States.” *American Dental Association*. 2016. <https://www.ada.org/-/media/project/ada-organization/ada/ada-org/files/resources/research/hpi/us-oral-health-well-being.pdf>.

¹⁰¹ “Complaint 3387451.” *Consumer Financial Protection Bureau*. September 26, 2019. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3387451>.

of-pocket expenses in 2016.¹⁰² Out-of-pocket costs are also higher among Black Medicare beneficiaries compared to white Medicare beneficiaries.¹⁰³ In 2018, Black Medicare beneficiaries were twice as likely to report cost-related problems with their healthcare.¹⁰⁴

One in 10 older Americans had an unpaid medical bill in 2018, according to FINRA data. Although this is a lower incidence than among the general population, medical debt may be particularly burdensome to older adults living on a fixed income. Older Black and Hispanic adults, as well as divorced or separated older adults, are more likely to say they have unpaid medical bills compared to their peers. Among adults aged 65 and older, unpaid medical bills are most common for those with an annual household income between \$15,000 and \$35,000.¹⁰⁵

Medical debt can negatively affect the well-being of older adults in a number of ways. Perhaps most significantly, older adults with medical debt frequently reduce their use of medical care services and supplies, which can result in adverse health impacts.

The FINRA Foundation's 2018 National Financial Capability Study found that in 2017, 34 percent of older adults with medical debt skipped medical care due to costs, compared to six percent of those without.¹⁰⁶ Among older adults, medical debt may also contribute to mental health conditions.

¹⁰² In 2018, 1 in 10 Medicare beneficiaries (6.1 million people) in traditional Medicare lacked any supplemental coverage. Cubanski, Juliette *et al.* "How much do Medicare beneficiaries spend out of pocket on health care?" *Kaiser Family Foundation*. November 2019. <https://www.kff.org/medicare/issue-brief/how-much-do-medicare-beneficiaries-spend-out-of-pocket-on-health-care/>.

¹⁰³ Cubanski, Juliette *et al.* "Sources of Supplemental Coverage Among Medicare Beneficiaries in 2016." *Kaiser Family Foundation*. November 2018. <https://www.kff.org/medicare/issue-brief/sources-of-supplemental-coverage-among-medicare-beneficiaries-in-2016/>.

¹⁰⁴ Lee, Chris. "Black Medicare Beneficiaries Are More Likely Than White Beneficiaries to Have Cost-Related Problems with Their Health Care, Across both Traditional Medicare and in Medicare Advantage Plans." *Kaiser Family Foundation*. June 25, 2021. <https://www.kff.org/medicare/press-release/black-medicare-beneficiaries-are-more-likely-than-white-beneficiaries-to-have-cost-related-problems-with-their-health-care-across-both-traditional-medicare-and-in-medicare-advantage-plans/>.

¹⁰⁵ The question asked: "Do you currently have any unpaid bills from a health care or medical service provider (e.g., a hospital, a doctor's office, or a testing lab) that are past due?" CFPB analysis of FINRA Foundation National Financial Capability Study public use survey data.

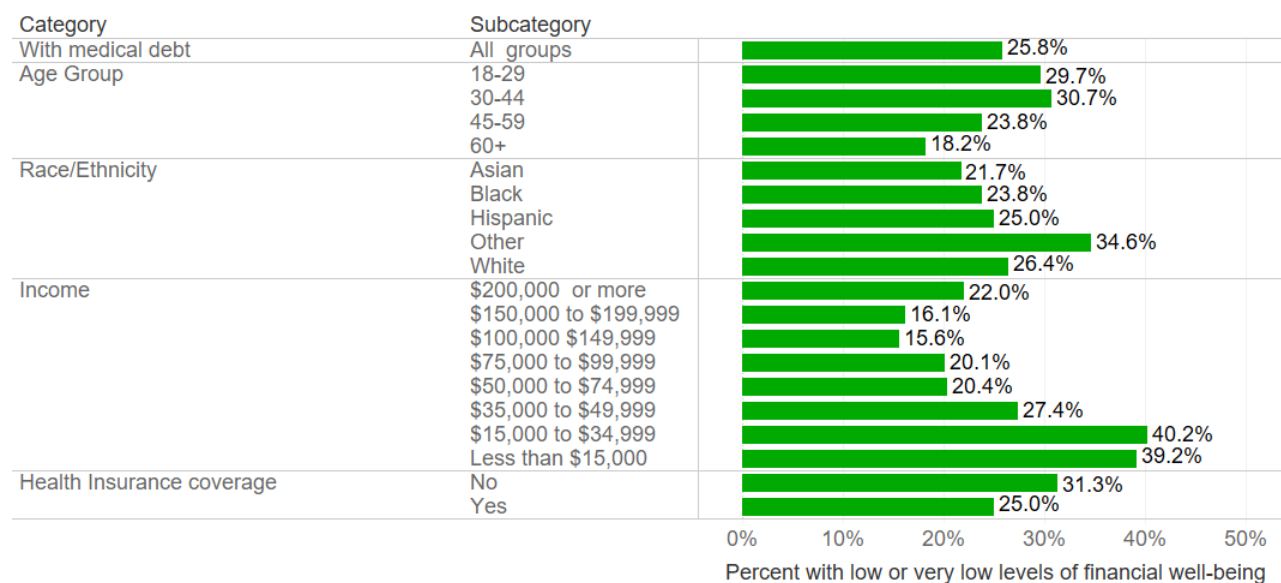
¹⁰⁶ CFPB analysis of FINRA Foundation National Financial Capability Study public use survey data, available at <https://www.usfinancialcapability.org/downloads.php>. The National Financial Capability Study (NFCS) is a project of the FINRA Investor Education Foundation (FINRA Foundation).

3. Adverse Impacts of Medical Debt

Medical debt can adversely impact people’s financial, physical, and mental health in several ways. Some adverse impacts, such as avoidance of medical care, are unique to medical debt. Others, such as decreased access to credit, are shared across multiple consumer debt types but may be especially problematic in the case of medical debt—which people rarely choose to incur. In this section, we begin by discussing the consequences medical debt has for individuals’ financial health. We then discuss the ramifications of medical debt on individuals’ physical and mental health.

3.1 Financial health

FIGURE 6: PERCENTAGE OF ADULTS WITH MEDICAL DEBT WHO REPORTED LOW OR VERY LOW LEVELS OF FINANCIAL WELL-BEING BY SELECTED CHARACTERISTICS, 2020.



CFPB analysis of the 2020 Federal Reserve Board’s Survey of Household Economics and Financial Decision-making.

Medical debt can have an adverse impact on an individual's financial health beyond the immediate costs of remitting payment for medical services received. If a medical bill remains unpaid after a certain period of time, the debt can be sent to collections, and individuals can face adverse events such as decreased access to credit, increased likelihood of bankruptcy, or costly and lengthy collection litigation—which can result in wage garnishment or seizure of personal property.¹⁰⁷

Having medical debt correlates with reduced self-reported financial well-being: in 2020, 25.8 percent of adults with medical debt reported low or very low levels of financial well-being compared to only 7.4 percent of adults without medical debt.¹⁰⁸ As Figure 6 shows, this association is especially strong for low-income individuals, younger adults, and the uninsured.

3.1.1 Access to credit

Prevalence of medical debt in credit reports

Per a 2019 CFPB report, medical debt is the most common third-party collections tradeline on credit reports, representing 58 percent of reported third-party collections tradelines.¹⁰⁹ Medical debts commonly show up on consumer credit reports after they are sent to collections, though medical debt collection tradelines can also be furnished directly by medical providers. In 2020, 17.8 percent of credit records in a national credit panel had at least one medical debt in collections.¹¹⁰

One study published in *JAMA* used a sample of credit records from 2009-2020 to conclude that, throughout the period from 2014 to 2020, the total balance amount of medical debt in collections consistently exceeded the total balance of all nonmedical debt in collections.¹¹¹ Despite the prevalence of medical debt on credit reports, the collection of medical debt makes up only 11 percent of debt collection industry revenue.¹¹²

¹⁰⁷ Authors consider costs like worsening credit options, the hassle of dealing with debt collectors, and the risk of legal action taken by creditors to be included in the disutility of unpaid medical bills. Brevoort *et al.* “Medicaid and Financial Health.” *National Bureau of Economic Research*. November 2017. https://www.nber.org/system/files/working_papers/w24002/w24002.pdf.

¹⁰⁸ CFPB analysis of the 2020 Federal Reserve Board’s Survey of Household Economics and Financial Decision-making.

¹⁰⁹ Furey and Kelly 2019.

¹¹⁰ Kluender *et al* 2021.

¹¹¹ Kluender *et al* 2021.

¹¹² The collection of financial services debt makes up the plurality of industry revenue (35 percent), with telecommunications debt collection accounting for another 22 percent of industry revenue. “Fair Debt Collection Practices Act Annual Report 2018.” *Consumer Financial Protection Bureau*. March 20, 2018. <https://www.consumerfinance.gov/data-research/research-reports/fair-debt-collection-practices-act-annual-report-2018/>.

In 2014, a CFPB study found that many individuals who had medical debts in collections showed no other signs of financial distress and had usually paid their financial obligations in a timely manner. Medical debts can be unique for consumers in that there are different incentives for individuals to remain current on payment plans for their medical bills than on other types of debts.¹¹³ Of individuals with medical debt tradelines on their reports, 22 percent had only these collections tradelines. Around half of these individuals who only had medical collection tradelines did not have any other serious past delinquencies.¹¹⁴ For such people, a medical debt can be the only barrier to future credit on their credit record.

Status of medical debt in credit reports

A medical debt furnished by a collection agency or debt purchaser should not show up on a consumer's credit report until 180 days from date of first delinquency, to allow time for insurance companies to process and render payments, as directed by the National Consumer Assistance Plan (NCAP)¹¹⁵ of 2015 which went into effect in September 2016.¹¹⁶ The Fair Credit Reporting Act (FCRA)¹¹⁷ imposes certain additional restrictions on when the nationwide credit reporting agencies (NCRAs) can include veterans' medical debt in consumer reports.¹¹⁸

Most collections tradelines are furnished to consumer reporting companies by third-party debt collectors or debt buyers rather than the original creditor.¹¹⁹ Third-party collectors who furnish

¹¹³ If an individual misses automobile or mortgage payments, they face the risk of losing property. Likewise, missing payments on utilities or telecommunications bills could result in termination of services. On the other hand, medical expenditures can come as a surprise to individuals, and treatment and services are typically provided in advance of payment or delinquency. For these reasons, many individuals with medical debts on their credit reports might not have other delinquencies or debts and might otherwise be financially healthy. Kliff, Sarah and Margot Sanger-Katz. "Americans' Medical Debts Are Bigger Than Was Known, Totaling \$140 Billion." *New York Times*. July 20, 2021. <https://www.nytimes.com/2021/07/20/upshot/medical-debt-americans-medicaid.html>.

¹¹⁴ "Consumer credit reports: A study of medical and non-medical collections" 2014.

¹¹⁵ The National Consumer Assistance Plan (NCAP) is a result of a pair of 2015 settlements between the three nationwide credit reporting agencies (NCRAs) and 31 state Attorneys General imposing specific obligations on the NCRAs related to medical debts.

¹¹⁶ The Extraordinary Collection Actions (ECA) provision of the Affordable Care Act additionally prohibits nonprofit hospitals from reporting medical debts to consumer reporting companies for four months after the date the consumer is sent their first bill. This is in addition to the NCAP agreement which applies to NCRA reporting of medical debt collections by collection agencies and debt purchasers and requires a 180-day waiting period. See "See how the credit reporting agencies are making changes as part of the National Consumer Assistance Plan." *National Consumer Assistance Plan*. <http://www.nationalconsumerassistanceplan.com/highlights/>.

¹¹⁷ The Fair Credit Reporting Act (FCRA) regulates consumer reporting. Debt collectors who furnish information about medical debts to consumer reporting companies—which collect information and provide credit reports to other companies for employment, housing, insurance and other decisions—are subject to the FCRA and its implementing Regulation V. The FCRA and Regulation V impose obligations on furnishers relating to the accuracy of information in consumer reports.

¹¹⁸ The FCRA was amended to limit the inclusion of a veteran's medical debt in a consumer credit by the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155) which went into effect in May 2018. See "S.2155 - Economic Growth, Regulatory Relief, and Consumer Protection Act." *U.S. Congress*. <https://www.congress.gov/bill/115th-congress/senate-bill/2155/>.

¹¹⁹ "Consumer credit reports: A study of medical and non-medical collections" 2014.

collection tradeline information often have only indirect and short-term ties to the underlying debt. They may also lack regular and consistent access to the original creditor's system of record, making them "third-party furnishers." Third-party furnishers may fail to obtain accurate or updated information from the original creditor on the underlying debt, resulting in potential law violations and errors in consumer reports.¹²⁰

Once furnished, federal law generally limits the appearance of information about a debt on a consumer report to seven years since the date it first became delinquent.¹²¹

Impact of medical debt on credit scores

Any medical debt that shows up in an individual's credit file can be factored into their credit scores,¹²² though whether and how these debts affect their scores varies depending on the score model. People with lower credit scores can be denied credit, offered lower credit limits, or offered credit with higher interest rates or fees than their counterparts with prime or super-prime scores. A decrease in a person's credit scores due to the presence of a medical debt collection tradeline on their report can reduce their future access to credit—and could also potentially impact decisions regarding insurance, rental housing, mortgages, or auto loans—and they could face poorer financial health in the future.

Researchers and consumer advocates have evaluated whether medical debt should be given the same weight as other debts in assessing creditworthiness. The CFPB's own research has found that medical collections are less predictive of future consumer credit performance than nonmedical collections. Additionally, paid medical collections are less predictive of future performance than unpaid medical collections. Individuals with more medical than non-medical collections and individuals with more paid than unpaid medical collections had delinquency rates that were comparable to those of individuals with credit scores of 10 points higher and 20 points higher, respectively. In other words, these individuals were less likely to be delinquent than other individuals with the same credit score.¹²³

In response to such research, newer versions of some common credit score models consider medical debt differently from other debts and consider paid medical debt differently from

¹²⁰ *Id.*

¹²¹ Under the terms of the NCAP, a medical debt furnished by a collection agency or debt purchaser that has been paid by insurance or is in the process of being paid by insurance can no longer appear on a consumer report prepared by the NCRAs. Additionally, under the FCRA, "veterans' medical debts" initially reported as delinquent, charged off, or in collection but that have since been fully paid or settled can no longer appear on a consumer report prepared by the NCRAs in certain circumstances.

¹²² Notably, medical debts furnished by a collection agency or debt purchaser that are paid by insurers or in the process of being paid by insurers cannot be reported on consumer credit reports prepared by the NCRAs under the 2015 NCAP agreement, and thus are also not considered in credit scores that rely only on NCRA data.

¹²³ Brevoort, Kenneth and Michelle Kambara. "Data point: Medical debt and credit scores." *Consumer Financial Protection Bureau*. May 2014. https://files.consumerfinance.gov/f/201405_cfpb_report_data-point_medical-debt-credit-scores.pdf.

unpaid medical debt. Some newer scoring models—such as FICO Score 9 and newer¹²⁴ and VantageScore 3.0 and newer¹²⁵—ignore paid collections of any kind, including medical collections. While these models still consider unpaid medical collections, some scores—such as FICO versions 9 and newer¹²⁶ and VantageScore 4.0¹²⁷—consider them with less weight than did previous models. Still, however, some older models are in use that take into consideration all unpaid collections, including medical debt, in calculating credit scores.¹²⁸

FICO has released research stating that, for individuals who only had medical collections, their scores improved up to 25 points on average when switching from older models to newer models that weigh medical debts less heavily.¹²⁹ A 25-point difference in credit score can move an individual to a higher credit bracket, potentially increasing their access to credit significantly.¹³⁰ It is important to note, however, that these newer scoring models are not yet in widespread use¹³¹ and that many lenders devise and deploy their own in-house models based on data from the consumer reporting companies; treatment of medical debt in these in-house models is unknown. This means that consumers with medical debt – who are disproportionately Black and Hispanic – may be negatively impacted if creditors use older scoring models that may overweight medical debt.

Inaccurate, fraudulent, or miscommunicated information about medical debt can also have an impact on an individual's credit scores. An individual might not realize that inaccuracies regarding medical debt attribution have occurred until they notice an impact on their credit scores or in their credit report. Once an error is found, disputing it can take a lot of time and effort. One individual filed a complaint with the CFPB saying that an inaccurate medical collection on their credit report had impacted their credit scores and was difficult to correct:

“I have had a medical debt that is not mine [on my] credit report... It has been 6 years now. I disputed this on my credit over and over. I haven't used the [medical provider] for almost 12 years. I do not owe the amount they are listing on my credit report, and it

¹²⁴ Dornhelm, Ethan. “The Impact of Medical Debt on FICO Scores.” *FICO*. July 13, 2015. <https://www.fico.com/blogs/impact-medical-debt-fico-scores>.

¹²⁵ Ulzheimer, John. “The impact of medical debt on your credit reports and VantageScore credit scores.” *VantageScore*. April 16, 2021. <https://vantagescore.com/the-score-newsletter/the-impact-of-medical-debt-on-your-credit-reports-and-vantagescore-credit-scores-1>.

¹²⁶ Dornhelm 2015.

¹²⁷ Ulzheimer 2021.

¹²⁸ Among 3rd party models, FICO 8, which does not differentiate between medical and nonmedical collections nor paid and unpaid collections, is the most widely adopted. “FICO Score Education.” *FICO*. <https://www.ficoscore.com/education>; “VantageScore Market Adoption Study 2019.” *VantageScore*. <https://vantagescore.com/vantagescore-market-adoption-study-2019/>.

¹²⁹ Dornhelm 2015.

¹³⁰ See “Borrower risk profiles.” *Consumer Financial Protection Bureau*. <https://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/borrower-risk-profiles/>.

¹³¹ See note 128.

*is destroying my credit score. They have not responded to any attempts I've made to contact them through the years.”*¹³²

Financial impacts on at-risk populations

Medical debt can have a compounding impact in reducing future access to credit, housing, and employment for populations who already face financial exclusion, including communities of color, low-income individuals, uninsured or underinsured individuals, and those in the South.

Reflecting the legacy of structural racism and gaps in opportunity, people of color and low-income individuals, across racial and ethnic categories, are likely to be in lower credit score bands than their white counterparts¹³³ and are more likely to face limited credit or credit invisibility.¹³⁴ Individuals residing in the South are also likely to have lower credit scores than individuals residing in other regions.¹³⁵

Medical debt is also more common for members of these communities,¹³⁶ and these communities are disproportionately vulnerable to COVID-19¹³⁷ and to severe outcomes of various illnesses.¹³⁸ The compounding impacts of being more likely to struggle with medical debt and the outcomes of illnesses could lead these at-risk populations to face a further reduced access to credit and additional financial hardships.

3.1.2 Bankruptcy

Medical debt can increase the likelihood that an individual will file for bankruptcy, especially for individuals who incur very large medical debts. In a survey conducted by the American Journal of Public Health of bankruptcy filers in the U.S. from 2013 to 2016, the majority of respondents

¹³² Edited for clarity. “Complaint 4551633.” *Consumer Financial Protection Bureau*. July 17, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4551633>.

¹³³ Campisi, Natalie. “From Inherent Racial Bias to Incorrect Data—The Problems With Current Credit Scoring Models.” *Forbes Advisor*. February 26, 2021. <https://www.forbes.com/advisor/credit-cards/from-inherent-racial-bias-to-incorrect-data-the-problems-with-current-credit-scoring-models/>; Azzara, Tony. “Average Credit Scores by Age, State, and Income.” *American Express*. March 5, 2021. <https://www.americanexpress.com/en-us/credit-cards/credit-intel/credit-score-by-age-state/>.

¹³⁴ Brevoort, Kenneth P, Philipp Grimm and Michelle Kambara. “Data Point: Credit Invisibles.” *Consumer Financial Protection Bureau*. May 2015. <https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-invisibles/>.

¹³⁵ Wendel, Stefani. “State of Credit 2021: Rise in Scores Despite Pandemic Challenges.” *Experian*. September 7, 2021. https://images.go.experian.com/Web/ExperianInformationSolutionsInc/%7Ba3ff8e50-5e52-4920-9a37-397bb0244d32%7D_SOC2021_09012021.pdf.

¹³⁶ See Section 2.3.

¹³⁷ See Section 4.1.3.

¹³⁸ Braveman, Paula and Laura Gottlieb. “The Social Determinants of Health: It's Time to Consider the Causes of the Causes.” *Public Health Rep*. Feb 2014. <https://pubmed.ncbi.nlm.nih.gov/24385661/>.

indicated that medical expenses contributed to their bankruptcies.¹³⁹ An Oregon State Public Interest Research Group (OSPIRG) study of Oregonians who filed for bankruptcy in 2019 found similar trends that affected bankruptcy filers at all income levels.¹⁴⁰ While the median amount of medical debt for those who had listed medical debt on their bankruptcy petitions was \$2,326, 15 percent of these filers had at least \$10,000 in medical debt, and three percent of filers reported medical debts that exceeded their annual income. Additionally, bankruptcy filers in the OSPIRG study indicated that they owed medical debts not only to hospitals and healthcare providers, but also to issuers of healthcare-specific credit cards. These people might have had to pay the interest and fees associated with the credit cards on top of their initial medical bills.

A 2019 national poll by the Kaiser Family Foundation found that individuals turned to various strategies to pay medical expenses including: using most or all of their savings; withdrawing money from long-term savings; borrowing money, sometimes from family or payday lenders; taking out additional home mortgages; incurring credit card debt; using long-term payment plans; or turning to other sources.¹⁴¹ Other people may cut back on necessities like food and clothing to repay medical debts.¹⁴²

People can be pushed toward filing for bankruptcy when faced with the substantial financial burdens of medical debt. Beyond the emotional and physical tolls of the bankruptcy process, people who file for bankruptcy will continue to face limited future credit opportunities as the bankruptcy may impact credit scores and other tenant, employment, and background screens for up to 10 years, as limited by the FCRA.¹⁴³

3.1.3 Collection litigation

Individuals with medical debt can also face threats to their future financial health from collection litigation brought by debt collectors. Medical debt collection litigation is relatively common; more than a quarter of the 100 U.S. hospitals with the highest revenue sued patients

¹³⁹ Himmelstein *et al.* “Medical Bankruptcy: Still Common Despite the Affordable Care Act.” *American Journal of Public Health*. March 2019. <https://ajph.aphapublications.org/doi/abs/10.2105/AJPH.2018.304901>.

¹⁴⁰ Friedman *et al.* “Unhealthy Debt: Medical costs and bankruptcies in Oregon.” *Oregon State Public Interest Research Group*. 2021. https://ospirg.org/sites/pirg/files/reports/OSPIRG_Unhealthy-Debt%20FINAL%20%281%29.pdf.

¹⁴¹ Kirzinger *et al.* “Data Note: Americans’ Challenges with Health Care Costs.” *Kaiser Family Foundation*. June 11, 2019. <http://web.archive.org/web/20210227142107/https://www.kff.org/health-costs/issue-brief/data-note-americans-challenges-health-care-costs/>.

¹⁴² “Medical Debt Collection.” *National Consumer Law Center*. 2019. <https://www.nclc.org/images/Medical-Debt-Collection.pdf>.

¹⁴³ 15 U.S.C. 1681c(a)(1).

over unpaid medical bills between 2018 and mid-2020, according to research conducted by Johns Hopkins for Axios.¹⁴⁴ Just 26 of those hospitals filed at least 39,000 court actions.¹⁴⁵

“As much as I want to rectify this financially devastating situation, I cannot afford an attorney to help me.”¹⁴⁷

Most debt collection lawsuits result in default judgments, meaning the debt collector wins by default because the debtor failed to respond to the filing of the lawsuit.¹⁴⁶ Debtors may fail to appear in court or file an answer to the suit because they are not aware of the lawsuit, have difficulty understanding the lawsuit, face logistical challenges such as being unable to secure leave or childcare, or cannot afford an attorney. Since few debtors come to court, even false or poorly documented cases can result in judgments in favor of the debt collector. This may have serious consequences to the debtor, including seizure of property, wage garnishment, or even jail time for failure to appear for a debtor examination.

Seizure of property

A creditor who receives a judgment against a debtor may seize assets to satisfy the judgment. Bank account balances and vehicles are eligible for seizure in some cases, and creditors can place liens on homes (subject to state homestead exemption limits). In New York, for example, 56 non-profit hospitals placed liens on 4,880 patients' homes in 2017 and 2018.¹⁴⁸ There are no federal regulations limiting the amount of funds that can be seized from an individual's bank account, although funds from certain income sources (such as Social Security) are protected from seizure. Certain states provide additional protections.

Wage garnishments

Garnishment of wages can occur after a court order or judgment is obtained. Garnishment means that the creditor takes money directly from the defendant's paycheck before the defendant receives their wages. In 2013, four million Americans experienced wage garnishment due to unpaid debt, including unpaid medical debt.¹⁴⁹ Federal law allows creditors with a judgement against an employee to take up to 25 percent of the employee's disposable earnings,

¹⁴⁴ Owens, Caitlin. “America's biggest hospitals vs. their patients.” *Axios*. June 14, 2021. <https://www.axios.com/hospitals-patients-lawsuits-billing-4bfa93b2-3bbf-48a5-b8e2-2f8a68c533a9.html>.

¹⁴⁵ Owens, Caitlin. “Three hospitals — Westchester Medical Center, VCU Medical Center and Froedtert Hospital — accounted for more than three-quarters of the total amount sought.” *Community Service Society*. November 2021. <https://www.cssny.org/publications/entry/discharged-into-debt-nonprofit-hospitals-file-liens-on-patients-homes>.

¹⁴⁶ Andres, Karen Biddle *et al.* “A Financial Security Threat in the Courtroom.” *Aspen Institute*. September 2021. <https://www.aspeninstitute.org/publications/how-unpaid-bills-end-up-in-court/>.

¹⁴⁷ Edited for clarity. “Complaint 4212677.” *Consumer Financial Protection Bureau*. March 14, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4212677>.

¹⁴⁸ Benjamin and Dunker 2020.

¹⁴⁹ *Id.*

or the amount by which an employee’s disposable earnings are greater than 30 times the federal minimum wage,¹⁵⁰ so even low-income individuals can be affected—although some states provide additional protections, including specific protections for medical debtors.¹⁵¹ Nevertheless, in some cases, garnishment puts households below the poverty line, reducing household wages to as little as \$217 a week.¹⁵²

Debtors’ examinations

In certain cases, debt collection judgments could lead to jail time. Although it is illegal to jail individuals for inability to pay a debt, 44 states allow individuals to be jailed for failing to appear at post-judgment court hearings (known as debtors’ examinations), or for failing to provide court-requested financial documentation.¹⁵³

3.2 Physical & mental health

Medical debt has been linked to adverse physical and mental health outcomes. In fact, 4 in 10 Americans say they are more afraid of medical debt than of serious illness.¹⁵⁴ As a result, many physicians and public health researchers consider medical debt an important social determinant of health.¹⁵⁵ Social determinants of health are environmental conditions that affect a wide range of health and quality-of-life risks and outcomes.¹⁵⁶

3.2.1 Avoidance of medical care

Individuals may delay or avoid medical care out of concern about high costs or medical debt. For example, in 2016, a Stanford study found 46 percent of individuals with medical debt purposely

¹⁵⁰ “Fact Sheet #30: The Federal Wage Garnishment Law, Consumer Credit Protection Act’s Title III (CCPA).” *U.S. Department of Labor*. October 2020. <https://www.dol.gov/agencies/whd/fact-sheets/30-ccpa>.

¹⁵¹ As of October 2020, four states protected all wages from garnishment: North Carolina, Pennsylvania, South Carolina, and Texas. Another 33 states provided partial protection from wage garnishment which exceeded the federal protections. Carter, Carolyn. “Protecting Wages, Benefits, and Bank Accounts from Judgment Creditors.” *National Consumer Law Center*. October 29, 2020. <https://library.nclc.org/protecting-wages-benefits-and-bank-accounts-judgment-creditors>.

¹⁵² Andres *et al* 2021.

¹⁵³ *Id.*

¹⁵⁴ “Medical Debt Collection” 2019.

¹⁵⁵ Mendes de Leon, Carlos and Jennifer Griggs. “Medical Debt as a Social Determinant of Health.” *Journal of the American Medical Association*. July 20, 2021. <https://jamanetwork.com/journals/jama/article-abstract/2782205>.

¹⁵⁶ “Social Determinants of Health.” *Centers for Disease Control and Prevention*. September 30, 2021. <https://www.cdc.gov/socialdeterminants/index.htm>.

avoided care.¹⁵⁷ The same study reported that 41 percent of insured people who faced medical bill problems said they did not fill a prescription in the past 12 months because of the cost. People with medical debt may also experience obstacles in trying to access non-emergency medical care; in some cases, people have reported being turned away by their medical provider due to unpaid bills.¹⁵⁸

Healthcare avoidance is common among certain sub-populations. A 2021 Kaiser Family Foundation survey found that avoidance of urgent or emergency care is 12% higher among unpaid caregivers for adults, persons with underlying medical conditions, persons without health insurance, Black and Hispanic adults, young adults, and persons with disabilities.¹⁵⁹ Likewise, a 2019 Kaiser Health Costs survey found that about six in 10 Black and Hispanic adults (58 percent) reported delaying or skipping at least one type of medical care in the past year due to cost, compared to half (49 percent) of white adults.¹⁶⁰ Delayed or avoided medical care can increase morbidity and mortality associated with both chronic and acute health conditions and can increase financial hardship, bankruptcies, and anxiety.¹⁶¹

In a 2016 Kaiser Family Foundation survey, roughly 26 percent of Americans ages 18-64 reported having problems paying medical bills in the 12 months prior to the survey.¹⁶² Seventy percent of individuals with medical debt reported cutting back spending on food, clothing, and necessities to try to manage debts in collections. More than half reported using up some or all their savings to meet their obligations. In a 2019 Kaiser Family Health survey, five in 10 individuals facing problems paying medical debt bills reported avoiding healthcare services because of their debts, over a third of such individuals also reported passing on medical tests and recommended treatments while cutting their medication in half and skipping doses.¹⁶³ Medical debt can cut patients off from the healthcare services they need.

¹⁵⁷ Adams, Alyce *et al.* “The Impact of Financial Assistance Programs on Health Care Utilization.” *National Bureau of Economic Research*. August 31, 2021.

https://nmahoney.people.stanford.edu/sites/g/files/sbiybj16971/f/kaiser_20210831.pdf.

¹⁵⁸ Williams, Monica, Joe Ducey and John Matarese. “Can doctors deny treatment for unpaid medical bills?” *ABC 15*. August 23, 2019. <https://www.abc15.com/news/let-joe-know/can-doctors-deny-treatment-for-unpaid-medical-bills>.

¹⁵⁹ Kearney, Audrey *et al.* “Americans’ Challenges with Health Care Costs.” *Kaiser Family Foundation*. December 14, 2021. <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>.

¹⁶⁰ *Id.*

¹⁶¹ Naranjo, Diana, Joseph Glass and Emily Williams. “Persons with Debt Burden Are More Likely to Report Suicide Attempt Than Those Without: A National Study of US Adults.” *Journal of Clinical Psychiatry*. April 6, 2021. <https://www.psychiatrist.com/jcp/depression/persons-debt-burden-are-more-likely-report-suicide-attempt-than-those-without-national-study-us-adults/>.

¹⁶² Hamel *et al* 2016.

¹⁶³ Kearney 2021.

3.2.2 Adverse health impacts, depression, anxiety & suicide

Medical debt has been linked to adverse physical and mental health impacts, including an increased risk of suicide.

Physical health

The stress of debt from medical costs may negatively affect patients' physical health. A 2021 study published in *Social Science & Medicine – Population Health* used Department of Labor data to analyze the financial and physical health of adults, finding that high consumer debt is correlated to poor health in later life, including chronic pain.¹⁶⁴ The research found that people who carried consistently high levels of unsecured debt, including medical debt, were 76 percent more likely to have pain that interfered with their daily life than people with no unsecured debt. Likewise, a 2016 study used credit histories to link high debt loads and debt delinquency with mortality. The study showed larger debt loads correlated with a higher risk of dying early.¹⁶⁵

Mental health

Medical bills and debt can take a serious toll on mental well-being. People with debt have triple the incidence of mental health conditions such as anxiety, stress, or depression.¹⁶⁶ One person wrote in a complaint to the CFPB that their experience with medical debt collection caused feelings of depression and anxiety:

*"The communications and phone conversations from [agency] have been incredibly stressful for me as a Consumer. Receiving these communications made me feel anxious, afraid, frustrated, exposed, helpless, confused and offended every time I saw their company name or logo on a piece of mail in my mailbox. ... [These] attempts to collect money from me for an alleged debt that has never been validated... increased my mental stress level and anxiety. I felt embarrassed, less confident, and depressed."*¹⁶⁷

A 2021 study in the *Journal of Clinical Psychiatry* found that debt burden is strongly associated with increased likelihood of suicide attempt.¹⁶⁸ The strength of the identified association is comparable to or greater than that for other major predictors of suicide (e.g., sex) and other

¹⁶⁴ Frech, Adrienne, Jason Houle and Dmitry Tumin. "Trajectories of unsecured debt and health at midlife." *SSM – Population Health*. September 2021. <https://www.sciencedirect.com/science/article/pii/S235282732100121X>.

¹⁶⁵ Gill, Lisa. "Could Your Medical Bills Make You Sick?" *Consumer Reports*. September 29, 2020. <https://www.consumerreports.org/medical-billing/could-your-medical-bills-make-you-sick/>.

¹⁶⁶ Wiltshire et al. "Problems paying medical bills and mental health symptoms post-Affordable Care Act." *AIMS Public Health*. May 6, 2020. <http://www.aimspress.com/article/10.3934/publichealth.2020023>.

¹⁶⁷ "Complaint 4704734." *Consumer Financial Protection Bureau*. September 9, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4704734>.

¹⁶⁸ Naranjo, Glass and Williams 2021.

mortality risk factors (*e.g.*, smoking, obesity). Additionally, suicide and attempted suicide imposes significant costs on society at large.¹⁶⁹

¹⁶⁹ Americans who experience suicide attempts are sometimes sent medical bills for their subsequent care. Those facing debt for suicide-attempt-related medical care often deal with the bills on their own and in secret, adding another layer of stress in the aftermath of recovery. Mounting medical debt has made some consider suicide again. Body, Dyvonne. “The Burden of Debt on Mental and Physical Health.” *Aspen Institute*. August 2, 2018. <https://www.aspeninstitute.org/blog-posts/hidden-costs-of-consumer-debt/>.

4. COVID-19 Impacts

The COVID-19 pandemic has serious implications for consumer medical debt. Throughout 2020 and 2021, COVID-19 infection and pandemic-related income loss put individuals at risk of incurring medical debt. It is still unclear whether medical debt totals will increase due to the pandemic; although some evidence suggests that the pandemic led individuals to reduce their overall healthcare spending, this decreased spending came at least in part from avoidance of medically valuable or necessary care.¹⁷⁰ This avoidance of care is expected to lead to increased medical expenditures in the coming years.

4.1 COVID-related medical debt

Throughout the pandemic, individuals have incurred significant medical debt related to COVID-19 infection. Commonwealth Fund research found that half of all people affected by COVID-19-related hardships (including contracting COVID-19, losing employer-sponsored insurance, or losing income) had medical bills or medical debt problems during the study period.¹⁷¹ COVID-19 hospitalizations and treatment directly contributed to individuals' debt load, in ways that varied by insurance status and consumer demographics.

4.1.1 Insured individuals

Although insured people had greater protections against high medical costs associated with COVID-19, many insured individuals nevertheless incurred significant COVID-19-related medical expenses. One study found that in 2020, 71 percent of privately-insured people hospitalized with COVID-19 and 49 percent of those insured through Medicare Advantage received at least one bill for COVID-19 hospitalization-related care, even though most insurers had cost-sharing waivers in place during this period, under which individuals were generally not responsible for paying costs related to COVID-19 hospitalization.¹⁷² Mean out-of-pocket spending was \$788 for privately-insured individuals and \$329 for individuals with Medicare Advantage. Some households faced higher costs: for 7.2 percent of privately-insured individuals

¹⁷⁰ Cox, Cynthia, Krutika Amin and Rabah Kamal. "How have health spending and utilization changed during the coronavirus pandemic?" *Peterson-KFF*. March 22, 2021. <https://www.healthsystemtracker.org/chart-collection/how-have-healthcare-utilization-and-spending-changed-so-far-during-the-coronavirus-pandemic/>.

¹⁷¹ Collins, Aboulafia and Gunja 2021.

¹⁷² Chua, Kao-Ping, Rena Conti and Nora Becker. "Assessment of Out-of-Pocket Spending for COVID-19 Hospitalizations in the US in 2020." *Journal of the American Medical Association*. October 18, 2021. <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2785079>.

hospitalized with COVID-19, total hospitalization-related costs were greater than \$2,000. For 2.5 percent, costs exceeded \$4,000.

Recent changes to insurance coverage

The above figures come from a nationally representative sample of patients' bills during March to September 2020, when 88 percent of insured individuals were covered by a plan with cost-sharing waivers in place for COVID-19 hospitalizations.¹⁷³ However, as of August 2021, 72 percent of large insurers had stopped waiving cost sharing for COVID-19 hospitalizations. Now that most cost-sharing waivers have expired, the Kaiser Family Foundation estimates that the average cost borne by an insured individual for a COVID-19 hospitalization could be \$1,300 to \$1,464.¹⁷⁴ Other research estimates that privately-insured individuals may be charged an average of \$3,840 out of pocket.¹⁷⁵ Most Americans are ill-prepared for an expense of that magnitude; as of January 2021, only 39 percent of American families said they could pay a surprise \$1,000 bill from savings.¹⁷⁶

4.1.2 Uninsured individuals

Uninsured people are at a higher risk of incurring burdensome COVID-19-related medical debt than insured people. In the first half of 2021, 40 percent of uninsured people said they had problems paying medical bills or were unable to pay their medical bills, compared to 24 percent of insured people.¹⁷⁷ Similarly, 28 percent of uninsured people said they were contacted by a collection agency about their unpaid bills, compared to 14 percent of insured people.¹⁷⁸ Additionally, uninsured people tend to be employed in sectors that face high exposure to COVID-19; the top 10 jobs held by uninsured Americans include driver, cashier, restaurant server, cook, and in-person retail sales.¹⁷⁹

¹⁷³ Ortaliza *et al.* "Most private insurers are no longer waiving cost-sharing for COVID-19 treatment." *Peterson-KFF*. August 19, 2021. <https://www.healthsystemtracker.org/brief/most-private-insurers-are-no-longer-waiving-cost-sharing-for-covid-19-treatment/>.

¹⁷⁴ Figures are based on average out-of-pocket spending for pneumonia hospitalizations in 2018. Rae, Matthew *et al.* "Potential costs of COVID-19 treatment for people with employer coverage." *Peterson-KFF*. March 13, 2020. <https://www.healthsystemtracker.org/brief/potential-costs-of-coronavirus-treatment-for-people-with-employer-coverage/>.

¹⁷⁵ Chua, Conti and Becker 2021.

¹⁷⁶ Ostrowski, Jeff. "Survey: Fewer than 4 in 10 Americans could pay a surprise \$1,000 bill from savings." *Bankrate*. January 11, 2021. <https://www.bankrate.com/banking/savings/financial-security-january-2021/>.

¹⁷⁷ Collins, Aboulafia and Gunja 2021.

¹⁷⁸ *Id.*

¹⁷⁹ Tolbert, Jennifer. "What Issues Will Uninsured People Face with Testing and Treatment for COVID-19?" *Kaiser Family Foundation*. March 16, 2020. <https://www.kff.org/coronavirus-covid-19/fact-sheet/what-issues-will-uninsured-people-face-with-testing-and-treatment-for-covid-19/>.

The pandemic led some people to become newly uninsured. Survey research by the Commonwealth Fund found that 10 percent of American adults were uninsured in the first half of 2021.¹⁸⁰ Six percent of adults reported losing insurance coverage because of pandemic-related job loss.¹⁸¹ Others may have become unable to afford insurance premiums due to pandemic-related loss of income.

The Health Resources & Services Administration (HRSA) Uninsured Program allows health care providers to bill the federal government, not patients, for COVID-19-related care provided to uninsured patients.¹⁸² However, there are gaps in coverage which can leave uninsured patients with significant medical debt. Notably, health care providers must opt in to participate in the program, and the program only covers patients with a primary diagnosis of COVID-19.¹⁸³ The program also does not cover outpatient drug prescriptions or hospice services.

News reports suggest that both patients and doctors struggle to navigate the HRSA Uninsured Program. In some cases, this lack of knowledge leads uninsured patients to incur avoidable COVID-19-related medical debt.¹⁸⁴ Additionally, uninsured patients are not covered by the Families First Coronavirus Response Act's mandate that insurers pay for COVID-19 testing at no cost to patients.¹⁸⁵ Therefore, uninsured patients may avoid seeking COVID-19 testing and care out of fear of medical debt.¹⁸⁶ Avoiding care may result in patients becoming sicker and ultimately needing more—and more expensive—treatment. It may also cause increased spread of the pandemic, increasing both societal and individual medical costs.

4.1.3 COVID-related racial and ethnic disparities

Communities of color are more vulnerable to COVID-19-related medical debt due to multiple factors, in ways that both reflect and exacerbate existing racial and ethnic disparities. Black, Hispanic, and Native American communities have experienced higher rates of COVID-19 infection, in part because Black, Hispanic, and Native American people are more likely to be

¹⁸⁰ Collins, Aboulafia and Gunja 2021.

¹⁸¹ *Id.*

¹⁸² “COVID-19 Care for Uninsured Individuals.” *U.S. Department of Health and Human Services*. September 15, 2021. <https://www.hhs.gov/coronavirus/covid-19-care-uninsured-individuals/index.html>.

¹⁸³ Schwartz, Karen, and Jennifer Tolbert. “Limitations of the Program for Uninsured COVID-19 Patients Raise Concerns.” *Kaiser Family Foundation*. October 8, 2020. <https://www.kff.org/policy-watch/limitations-of-the-program-for-uninsured-covid-19-patients-raise-concerns/>.

¹⁸⁴ Farmer, Blake. “Hospital Bills for Uninsured COVID Patients Are Covered, but No One Tells Them.” *Kaiser Health News & Nashville Public Radio*. October 29, 2020. <https://khn.org/news/hospital-bills-for-uninsured-covid-patients-are-covered-but-no-one-tells-them/>.

¹⁸⁵ Gelburd, Robin. “How to Deal With COVID-19 Medical Costs.” *U.S. News and World Report*. December 28, 2020. <https://www.usnews.com/news/health-news/articles/2020-12-28/how-to-deal-with-covid-medical-costs>.

¹⁸⁶ Young, Christen, *et al.* “Responding To COVID-19: Using the CARES Act’s Hospital Fund to Help the Uninsured, Achieve Other Goals.” *Health Affairs*. April 10, 2020. <https://www.healthaffairs.org/doi/10.1377/hblog20200409.207680/full/>.

essential workers.¹⁸⁷ Black and Hispanic communities also have higher rates of preexisting conditions, less access to medical care, and lower rates of insurance coverage.¹⁸⁸ For example, researchers at the University of Michigan found that Black adults were six times more likely than white adults to be refused access to COVID-19 testing at hospitals.¹⁸⁹ Additionally, according to the Commonwealth Fund, Black and Hispanic adults were less likely to be insured in the first half of 2021; 20 percent of Hispanic adults were uninsured, and 11 percent of Black adults were uninsured, compared to 10 percent of all adults.¹⁹⁰

Additionally, 61 percent of Hispanic adults and 44 percent of Black adults reported losing jobs or pay due to the pandemic, compared to 38 percent of white adults.¹⁹¹ As a result, Black and Hispanic adults had less income with which to pay medical bills.

This higher income loss combined with lower rates of insurance coverage made communities of color substantially more vulnerable to COVID-19-related medical debt. This is reflected in polling which shows that 58 percent of Americans of color are concerned about the out-of-pocket costs of COVID-19 care, compared to only 32 percent of white Americans.¹⁹² Given strong evidence that individuals tend to avoid medical care when they are concerned about its cost, some people of color may have avoided seeking necessary COVID-19 care out of fear of medical debt.

4.2 COVID-related policy changes

Although the COVID-19 pandemic led to increased medical debt for some people, certain new federal policies were instituted in response to the COVID-19 pandemic which have helped protect others from medical debt. However, some of these programs are expected to expire soon. Their expiration would strip individuals of these COVID-19-related protections against medical debt, potentially increasing medical debt burden.

¹⁸⁷ Dubay 2020.

¹⁸⁸ Artiga, Samantha, Rachel Garfield and Kendall Orgera. “Communities of Color at Higher Risk for Health and Economic Challenges due to COVID-19.” *Kaiser Family Foundation*. April 7, 2020. <https://www.kff.org/coronavirus-covid-19/issue-brief/communities-of-color-at-higher-risk-for-health-and-economic-challenges-due-to-covid-19/>.

¹⁸⁹ Johnson, Angela M., and Haniyeh Zamani. “Addressing the Cumulative Cost of COVID-19 for Communities of Color.” *University of Michigan Health Lab*. April 6, 2021. <https://labblog.uofmhealth.org/rounds/addressing-cumulative-cost-of-covid-19-for-communities-of-color>.

¹⁹⁰ Collins, Aboulaia and Gunja 2021.

¹⁹¹ Lopez, Mark H., Lee Rainie and Abby Budiman. “Financial and health impacts of COVID-19 vary widely by race and ethnicity.” *Pew Research Center*. May 5, 2020. <https://www.pewresearch.org/fact-tank/2020/05/05/financial-and-health-impacts-of-covid-19-vary-widely-by-race-and-ethnicity/>.

¹⁹² Witters, Dan. “In U.S., Large Racial Divide in COVID-19 Cost Concerns.” *Gallup*. July 29, 2020. <https://news.gallup.com/poll/316052/large-racial-divide-covid-cost-concerns.aspx>.

4.2.1 Expanded Medicaid enrollment

The Families First Coronavirus Response Act (FFCRA) requires states to maintain individuals' Medicaid enrollment through the duration of the COVID-19 public health emergency. This requirement, in tandem with pandemic-related job loss, led Medicaid enrollment to increase by approximately nine million people from February 2020 to January 2021.¹⁹³ Medicaid enrollment continues to grow under the FFCRA. When the COVID-19 public health emergency declaration expires, the continuous enrollment provision would no longer apply, and 15 million Americans could lose Medicaid coverage.¹⁹⁴ Expanded Medicaid coverage is associated with significantly lower levels of medical debt in the population covered by expansion.¹⁹⁵

4.2.2 Families First Coronavirus Response Act

The FFCRA requires all public and private health insurance plans to pay for COVID-19 testing at no cost to the patient. However, insurers may impose cost-sharing for tests conducted as part of return-to-work programs or public health surveillance programs.¹⁹⁶ Additionally, about 2.4 percent of COVID-19 tests billed to insurance resulted in surprise bills, despite the FFCRA provisions.¹⁹⁷ In some cases, these bills are for undisclosed ancillary services provided at the same time as the COVID-19 test. One insured individual filed a complaint with the CFPB after discovering that a COVID testing bill had been sent to collections:

“Each test was \$270.00 or so. Our insurance company paid the bill, but insurance company reimbursement wasn’t applied properly... [the healthcare provider] improperly sent our file to [a collections agency]. ...It is not clear if [the provider] willfully is trying to charge twice for COVID testing. I also find it appalling that [the

¹⁹³ Buettgens, Matthew, and Andrew Green. “What Will Happen to Unprecedented High Medicaid Enrollment after the Public Health Emergency?” *Urban Institute*. September 2021. https://www.urban.org/sites/default/files/publication/104785/what-will-happen-to-unprecedented-high-medicaid-enrollment-after-the-public-health-emergency_o.pdf.

¹⁹⁴ *Id.*

¹⁹⁵ Kluender *et al* 2021.

¹⁹⁶ Kurani, Nisha *et al.* “COVID-19 test prices and payment policy.” *Peterson-KFF*. April 28, 2021. <https://www.healthsystemtracker.org/brief/covid-19-test-prices-and-payment-policy/>.

¹⁹⁷ Kliff, Sarah. “Coronavirus Tests Are Supposed to Be Free. The Surprise Bills Come Anyway.” *New York Times*. September 9, 2020. <https://www.nytimes.com/2020/09/09/upshot/coronavirus-surprise-test-fees.html>.

provider] may be fraudulently trying to take advantage of COVID testing. It seems they should be trying to meet a higher standard.”¹⁹⁸

4.2.3 CARES Act: HRSA Uninsured Program

As described in Section 4.1.2 above, the CARES Act-funded Health Resources & Services Administration (HRSA) Uninsured Program allows health care providers to bill the federal government, not patients, for COVID-19-related testing and treatment provided to uninsured patients.¹⁹⁹

Uninsured individuals are eligible to receive free COVID-19 testing if their provider participates in the HRSA Uninsured Program (funded through the CARES Act). However, some uninsured individuals have incurred medical debt as a result of COVID-19 testing at facilities that do not participate in the HRSA Uninsured Program, with some bills exceeding \$1,000.²⁰⁰ One such uninsured individual filed a complaint with the CFPB about their experience:

“I was taken to the [emergency] room. We were told it was a county hospital and where I should go for financial reason since I was UNEMPLOYED with NO MEDICAL INSURANCE... I suspected that I have [COVID-19] as I was very ill and having difficulty breathing. The Emergency room doctor here ran extremely expensive test[s], most of which were unnecessary... Thousands of dollars I have been charged just to go to the emergency room to make sure I did not have COVID. ... Now they have turned me over to a collection agency... I have this showing up on my credit bureaus which is crippling to me as I start to try to rebuild my life after a year of very little employment. I cannot rent an apartment or get a car loan.”²⁰¹

The HRSA program reimburses providers on a contingent basis based on funding availability.²⁰² If this program expires or runs out of funding, uninsured patients will be responsible for the full cost of COVID-19 care.²⁰³

¹⁹⁸ Edited for clarity. “Complaint 4452377.” *Consumer Financial Protection Bureau*. June 11, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4452377>.

¹⁹⁹ “COVID-19 Care for Uninsured Individuals” 2021.

²⁰⁰ Kliff, Sarah. “How to Avoid a Surprise Bill for Your Coronavirus Test.” *New York Times*. August 18, 2021. <https://www.nytimes.com/2021/08/18/upshot/coronavirus-test-bill-cost.html>.

²⁰¹ Edited for clarity. “Complaint 4389089.” *Consumer Financial Protection Bureau*. May 19, 2021. <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4389089>.

²⁰² Schwartz and Tolbert 2020.

²⁰³ Levitt, Larry, Kary Schwartz and Eric Lopez. “Estimated Cost of Treating the Uninsured Hospitalized with COVID-19.” *Kaiser Family Foundation*. April 7, 2020. <https://www.kff.org/coronavirus-covid-19/issue-brief/estimated-cost-of-treating-the-uninsured-hospitalized-with-covid-19/>.

5. Legislative and Regulatory Developments

In recent years, both federal and state governments have used rulemaking and legislation to provide additional protection to those with medical debts. At the federal level, the CFPB has issued final debt collection rules generally governing collection of consumer debts (including medical debts) by third-party debt collectors. These rules, which went into effect Nov. 30, 2021, provide clear guidance on matters including telephone call frequency, the use of electronic communication channels (emails, texts, social media), consumer communication preferences, and debt validation information. Additionally, states such as Maryland, Nevada, New Mexico, California, and Washington have enacted new legislation providing expanded protection including expanded disclosures, delayed credit reporting, restrictions on lawsuits, etc.

5.1 State-level legislative developments

States such as Maryland, Nevada, New Mexico, California, and Washington have recently enacted new laws governing medical debt collections. These laws generally increase consumer protection in the areas of debt collections, credit reporting, and debt collection litigation.

State	Legislation Title	Effective Date	Description
Washington	Substitute House Bill 1531 & Substitute House Bill 1602	July 28, 2019	Sets the prejudgment interest rate for medical debt at 9 percent. States that a plaintiff in supplemental proceedings may not seek a warrant for the arrest of a judgment debtor for any act or failure to act that arises out of or relates to a judgment for medical debt, with certain exceptions. Prohibits health care providers and facilities from selling or assigning medical debt until at least 120 days after the initial billing statement. Prohibits certain practices with respect to medical debt. ²⁰⁴

²⁰⁴ “FINAL BILL REPORT SHB 1531.” *State of Washington*. 2019. <https://lawfilesexternal.leg.wa.gov/biennium/2019-20/Pdf/Bill%20Reports/House/1531-S%20HBR%20FBR%2019.pdf?q=20211220090138>.

Maryland	Medical Debt Protection Act	January 1, 2021	Makes certain changes to certain hospital financial assistance policies; prohibits a hospital from charging interest or fees on certain debts incurred by certain patients; etc. ²⁰⁵
Nevada	Senate Bill 248	July 1, 2021	An Act requiring a collection agency to notify a debtor before taking any action to collect a medical debt; providing certain protections to a medical debtor who initiates contact with or makes a voluntary payment to a collection agency; prohibiting certain practices relating to the collection of medical debt; prohibiting the waiver of certain protections provided to medical debtors; and providing other matters properly relating thereto. ²⁰⁶
New Mexico	Patients Debt Collection Practices Act	July 1, 2021	An Act preventing collection from indigent patients; requiring health care facilities to screen patients for assistance eligibility; requiring health care facilities and third-party health care providers to report how certain public funds are spent; limiting enforceability of certain judgments; and enacting additional changes. ²⁰⁷
California	A.B. 1020, Health Care Debt and Fair Billing	January 1, 2022	Prohibits a hospital from selling patient debt to a debt buyer, unless specified conditions are met. Requires a hospital to send a patient a notice with specified information before assigning a bill to collections, or selling patient debt to a debt buyer. Prohibits debt collection before 180 days after the initial billing, regardless of the patient's financial status. Enacts additional prohibitions and requirements. ²⁰⁸

²⁰⁵ “SB0514/CH0769.” *State of Maryland*. 2021. <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/SB0514?vs=2021RS>.

²⁰⁶ “SB248.” *State of Nevada*. 2021. <https://www.leg.state.nv.us/App/NELIS/REL/81st2021/Bill/7770/Overview>.

²⁰⁷ “SB0071.” *State of New Mexico*. <https://www.nmlegis.gov/Sessions/21%20Regular/final/SB0071.pdf>.

²⁰⁸ “AB-1020 Health care debt and fair billing (2021-2022).” *State of California*. October 5, 2021. https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB1020.

5.2 Federal rulemaking and legislation

Two recent developments at the federal level are expected to impact medical debt collections and reporting: the CFPB's final rule on debt collection, which went into effect on November 30, 2021; and the No Surprises Act, which became effective January 1, 2022.

5.2.1 Debt collection final rule

The CFPB's debt collection final rule, which revised Regulation F, the rule implementing the Fair Debt Collection Practices Act (FDCPA), took effect November 30, 2021. Various provisions in the rule could affect the collection of medical debt.

The FDCPA, and Regulation F, apply to “debt collectors,”²⁰⁹ as that term is defined in the statute, including, in general, debt collectors collecting medical debts. The FDCPA and Regulation F prohibit, among other things, using “unfair or unconscionable means to collect or attempt to collect any debt.” The FDCPA and Regulation F generally do not apply to medical service providers or their employees who attempt to collect debts owed to the provider.

The final rule amends Regulation F to clarify certain provisions of the FDCPA. Among other changes, the final rule prohibits “debt parking,” also known as passive collections. This is the practice of furnishing collection information about a debt to a consumer reporting company before communicating with the consumer about the debt.²¹⁰ This practice was previously employed by some medical debt collectors, who would report a debt to a consumer reporting company, then wait for the debtor to notice the tradeline when, for example, applying for credit. Regulation F addresses the practice of “debt parking” by requiring a debt collector to take certain actions intended to convey information about the debt to the debtor before furnishing information about that debt to a consumer reporting company.

The FDCPA and Regulation F also require debt collectors, including medical debt collectors, to provide certain information about the debt to consumers at or near the outset of collections. Regulation F requires debt collectors to include, as part of this information, an itemization of the current amount of the debt. This itemization may help individuals recognize and understand medical debts in collection.

²⁰⁹ Under the FDCPA, a debt collector is “any person who uses any instrumentality of interstate commerce or the mails in any business the principal purpose of which is the collection of any debts, or who regularly collects or attempts to collect, directly or indirectly, debts owed or due or asserted to be owed or due another.” The FDCPA additionally provides certain exemptions from this definition.

²¹⁰ “Executive Summary of the December 2020 Debt Collection Rule.” *Consumer Financial Protection Bureau*. December 18, 2020.
https://files.consumerfinance.gov/f/documents/cfpb_december_2020_debt_collection_executive_summary.pdf.

5.2.2 No Surprises Act

Effective January 1, 2022, the No Surprises Act protects participants, beneficiaries, and enrollees in group health plans and group and individual health insurance coverage from surprise medical bills when they receive, under certain circumstances, emergency services, non-emergency services from nonparticipating providers at participating facilities, and air ambulance services from nonparticipating providers of air ambulance services. In addition, the No Surprises Act, among other things, requires certain health care facilities and providers to disclose Federal and State patient protections against balance billing and sets forth complaint processes with respect to potential violations of the protections against balance billing and out-of-network cost sharing. The No Surprises Act also includes certain protections for uninsured (or self-pay) individuals from surprise medical bills. The No Surprises Act does not cover billing for ground ambulance services. Several federal agencies have published rules implementing the No Surprises Act.

In January 2022, the CFPB released a bulletin regarding the No Surprises Act. If a medical bill goes unpaid after a certain amount of time, a medical provider may engage a third party to collect the debt. To the extent the third party qualifies as a “debt collector” under the FDCPA, the third party is generally subject to the FDCPA and its implementing Regulation F. The FDCPA and Regulation F prohibit, among other things, the use of “any false, deceptive, or misleading representation or means in connection with the collection of any debt,” including any false representation of “the character, amount, or legal status of any debt.” This prohibition includes misrepresenting that an individual must pay a debt stemming from a charge that the No Surprises Act prohibits. Thus, for example, a debt collector who represents that an individual owes a debt arising from out-of-network charges for emergency services that exceed the amount permitted by the No Surprises Act may violate the FDCPA and Regulation F.

6. Conclusion

For tens of millions of Americans, medical debt is an unexpected, unwanted, and financially devastating expense. Studies suggest that out of every 100 people in the U.S., between 18 and 35 people have medical debt in collections. Moreover, Black and Hispanic people, as well as low income people and younger adults of all races and ethnicities, have higher rates of medical debt than the general population. Veterans and older adults are also significantly impacted by medical debt. Residents of states that did not expand Medicaid have higher rates of medical debt.

Current practices in medical debt collections and reporting can cause significant harm to people with medical debt. Many patients have trouble navigating and accessing health care providers' payment assistance programs, due in part to the complexity of those programs and a general lack of clear and specific guidance from the medical providers. Many patients and their families are coerced into paying invalid, unsubstantiated, or inaccurate medical bills by the threat or actuality of credit reporting of those medical accounts. Patients and their families can be barred from accessing the credit they need by the inclusion of medical collection accounts on their credit reports, even though prior CFPB research shows that medical debt reported on credit reports is far less reliable and predictive of people's ability to pay their bills going forward. Consumer reporting agencies' inclusion of this information in consumers' credit reports threatens the integrity and accuracy of the credit reporting system as a whole, creating inefficiencies for creditors as well as patients.

These practices can impose serious costs on people's financial, physical, and emotional health. Having a medical debt collection tradeline on a person's credit record can make it harder to get credit, rent or buy a home, or find a job. Some people are pushed into bankruptcy by medical bills that they cannot pay. Some avoid seeking health care out of fear of medical debt. And some find that the stress of having medical debt—and being contacted by medical debt collectors—worsens their mental health, contributing to conditions like anxiety, depression, and even suicide.

The CFPB will act to ensure that the consumer credit reporting system is not used coercively against patients and their families in order to force them to pay questionable medical bills. Specifically, the CFPB intends to:

- Hold credit reporting companies accountable for having reasonable procedures in place to assure that medical debt information is accurate and taking action against furnishers who report inaccurate information.
- Support the work of the U.S. Department of Health and Human Services to ensure that patients are not coerced into paying bills in excess of the amounts due, particularly where the billed amount violates the No Surprises Act.
- Investigate how best to facilitate patients' access to financial assistance programs offered by medical providers, including at the point of collection and credit reporting.

- Conduct additional research on medical billing collection practices and their impact on patients and families.
- Determine whether policies should be implemented to eliminate unpaid medical billing data on credit reports altogether.

APPENDIX A: STATE-LEVEL DISTRIBUTION OF MEDICAL DEBT COLLECTIONS TRADELINES

The below table lists the proportion of individuals in the CFPB's Consumer Credit Panel living in a given state who had medical debt collections tradelines on their credit file as of December 2020. States are listed in alphabetical order.

State	Percent with Medical Debt
Alabama	16.65
Alaska	12.82
Arizona	13.54
Arkansas	16.44
California	7.45
Colorado	10.59
Connecticut	9.46
Delaware	15.6
District of Columbia	5.38
Florida	15.33
Georgia	15.33
Hawaii	5.72
Idaho	11.28
Illinois	12.35
Indiana	16.49
Iowa	8
Kansas	16.07
Kentucky	15.98
Louisiana	19.95
Maine	15.78
Maryland	10.14
Massachusetts	4.35
Michigan	13.09
Minnesota	1.92
Mississippi	16.23
Missouri	16.43
Montana	11.04
Nebraska	6.45
Nevada	15.74
New Hampshire	6.95
New Jersey	10.66
New Mexico	15.62
New York	5.53

State	Percent with Medical Debt
North Carolina	17.11
North Dakota	5.39
Ohio	14.61
Oklahoma	19.03
Oregon	4.86
Pennsylvania	9.95
Rhode Island	5.15
South Carolina	20.88
South Dakota	3.45
Tennessee	17.66
Texas	18.97
Utah	11.73
Vermont	5.03
Virginia	14.12
Washington	4.37
West Virginia	24.55
Wisconsin	9.36
Wyoming	17.44

APPENDIX B: STATE CHARITY CARE PROTECTIONS

The below tables list state charity care protections and is ordered alphabetically by state. It is sourced from the National Consumer Law Center's report "An Ounce of Prevention: A Review of Hospital Financial Assistance Policies in the States."¹

PROTECTIONS APPLY TO ALL HOSPITALS (10 STATES)

State	Protections
California	Mandates general or acute care hospitals to provide free or reduced care for uninsured patients, or patients with high medical costs who have incomes at or below 350 percent of the federal poverty line (FPL).
Connecticut	Mandates that all hospitals screen for eligibility for financial assistance. Requires discounted care for uninsured patients who do not qualify for Medicaid, Medicare, or other coverage and who have income at or below 250% FPL.
Illinois	Mandates that hospitals provide free care for most patients with a family income at or below 200% FPL, but the patient has to cover the first \$300 of the care. Care at rural or critical access hospitals must be free for patients at or below 125% FPL, and all hospitals must provide discounted care for uninsured patients with income and assets at or below 600% FPL (or 300% FPL for rural or critical access hospitals). Hospitals also cannot collect more than 35% over their cost of services for any one inpatient or outpatient visit costing more than \$300 for uninsured patients.
Maine	Requires hospitals to provide free care to Maine residents with income of less than 150% FPL.
Maryland	Mandates that hospitals provide free care for patients at or below 200% FPL, and reduced cost care for patients with income between 200% and 500% FPL.
Nevada	Requires hospitals with at least 100 beds to provide a minimum amount of free care of 0.6% of their net revenue for patients who are uninsured, are ineligible for public assistance, or have an income of \$438 per month for a single person, \$588 per month for two people, or \$588 plus \$150 per month for each additional family member. Requires major hospitals to discount the total billed charge by at least 30% for an inpatient who is uninsured, is

¹ Stark 2020.

State	Protections
	not eligible for state coverage, and makes a reasonable payment arrangement.
New Jersey	Mandates that all hospitals provide a 100% discount for residents with incomes at or below 200% FPL, and discounted care for patients with incomes between 200% and 300% FPL. Uninsured patients with family incomes of less than 500% FPL cannot be charged more than 15% above the Medicare payment rate.
New York	Mandates that hospitals may charge no more than a nominal fee to patients with incomes at or below 100% FPL, and are to provide discounted care on a sliding scale basis to patients with incomes between 100% and 300% FPL. Hospitals cannot charge uninsured patients whose income is under 300% FPL more than what the hospitals receive from Medicare, Medicaid, or the highest volume payer for that hospital.
Rhode Island	Mandates that all hospitals provide a 100% discount for residents with incomes at or below 200% FPL, and discounted care for patients with incomes between 200% and 300% FPL.
Washington	Mandates that hospitals provide free care for uninsured patients at or below 100% FPL, and discounts of 75% to 25% for patients between 100% and 200% FPL.

PROTECTIONS APPLY TO NONPROFIT/STATE HOSPITALS ONLY (3 STATES)

State	Protections
Louisiana	State-owned hospitals must provide financial assistance to patients with a family income at or below 200% of FPL who are uninsured, or if care expenses exceed 20% of family income in the last 12 months.
Oregon	Requires nonprofit hospitals and clinics to provide full financial assistance to those with household incomes of up to 200% FPL, and assistance on a sliding scale for those with incomes of up to 400% FPL.
Texas	Requires nonprofit hospitals to provide financial assistance at least to patients with income between 21% and 200% FPL.

STATE-RUN FINANCIAL ASSISTANCE PROGRAMS (3 STATES)

State	Protections
Colorado	Provides discounted care for state residents who are ineligible for Medicaid and have incomes that do not exceed up to 250% FPL through the Colorado Indigent Care Program.
Massachusetts	Massachusetts' Health Safety Net Program pays the full cost of eligible care at acute care hospitals and community health centers for those whose income is at or below 150% FPL, and pays the cost of care minus a deductible for those with income of 150% and 300% FPL.
South Carolina	South Carolina's Medically Indigent Assistance Program covers inpatient hospital treatment and pays for everything Medicaid covers for South Carolina residents who are U.S. citizens or lawful permanent residents with incomes that do not exceed 200% FPL and who meet certain asset requirements.

APPENDIX C: MEDICAL DEBT BALANCES IN THE CFPB'S CONSUMER CREDIT PANEL, 2018 TO 2021

Quarter	Balance	Tradelines
2018 Q1	96.78	142.68
2018 Q2	96.88	141.70
2018 Q3	97.05	140.84
2018 Q4	94.76	139.74
2019 Q1	96.50	125.45
2019 Q2	94.48	122.00
2019 Q3	94.80	123.13
2019 Q4	92.33	121.04
2020 Q1	95.79	124.95
2020 Q2	91.04	118.49
2020 Q3	91.28	117.38
2020 Q4	90.09	114.43
2021 Q1	89.29	112.78
2021 Q2	87.64	110.58