



# Hospitals and Medical Debt: Insights and Actions for Patients & Communities

This is a summary of key findings from a longer report, *Hospitals and Medical Debt: A Report on Policies and Practices*. Intended for patient and community groups, this brief discusses the problem of medical debt, the role of hospital policies and practices, what we know about effective approaches, and opportunities for action.

## Why Medical Debt Matters

Medical debt has become one of the most pervasive financial burdens facing households in the United States.<sup>1</sup> Our health care system relies on a mix of employer-sponsored coverage, individual insurance, and fragmented public programs, which leave millions of people uninsured and at high risk of medical debt. Rising health care costs and prices, along with high deductibles and out-of-pocket costs, mean that even those who have insurance are at risk.<sup>2</sup> Anticipated changes from the 2025 Budget Reconciliation Law are likely to worsen medical debt, with anticipated losses in health coverage, higher uncompensated care costs, and increased financial strain on hospitals.<sup>3</sup>

- **Scope of Medical Debt:** Up to 41% of Americans are estimated to have medical debt (broadly defined to include past due medical or dental bills as well as payments being made over time to providers) financed through credit cards or other lending avenues.<sup>4</sup>

- **Impacts on People's Lives:** The burden of medical debt has wide-ranging consequences for patients and their families, including delaying health care, depleting savings, diminishing physical and mental health, increasing mortality, and eroding trust in health care.<sup>4-6</sup>
- **Uniting Issue:** At a time of deep polarization, the medical debt issue unites Americans across party lines: 76% of voters support state laws protecting people from medical debt, almost 70% say health care costs are unaffordable, and over half (57%) report that mental stress and anxiety from medical debt is the most difficult part of the experience.<sup>7</sup>

## What Patient and Community Groups Can Do

- Provide education, guidance, and navigation services to support patients in addressing the costs of care, including applying for financial assistance, medication assistance, and health insurance; avoiding medical credit cards; and following up with any questions on hospital bills.
- Raise public awareness about medical debt through narratives to show how common medical debt is, the types of extraordinary collections actions that are legally allowed, and their impacts.

## Regulatory Landscape

Offering financial assistance to patients with low-income is one approach hospitals take to mitigate medical debt, sometimes called charity care. Under the Affordable Care Act, nonprofit hospitals must adopt and publicize a financial assistance policy that defines eligibility criteria for free or discounted care.<sup>8</sup> However, there are no federal standards about how generous those policies must be.<sup>9</sup> To collect on medical debt, nonprofit hospitals can take extraordinary collections actions (ECAs) against patients once they have made a “reasonable effort” to assess a patient’s eligibility for financial assistance. This rule does not apply to for-profit hospitals. ECAs include credit reporting, selling debt to third parties, denying non-emergent care, and taking legal action through such means as lawsuits, wage garnishment, and property liens.<sup>9</sup>

States can play a critical role in addressing medical debt through their own policies, but fewer than half (20 states and the District of Columbia) set a minimum amount of financial assistance for hospitals. Debt collection protections also vary across states, with some states imposing specific limits on ECAs and others prohibiting them outright.<sup>9</sup>

## What We Know: Addressing Medical Debt

Our review of the available research offers valuable insights into opportunities to address medical debt.

- **Strategies for mitigating medical debt** include hospital financial assistance, Hospital Presumptive Eligibility (HPE) for temporary Medicaid coverage, financial navigation services, and medication-focused assistance. Research has found these strategies to be effective, with increased patient access to care, cost savings, and improved health outcomes.<sup>10-17</sup>
  - Financial navigation services provide comprehensive support for patients, families, and caregivers. Such services may include support in applying for financial or medication assistance, assistance in obtaining insurance, direct financial support for medical and nonmedical costs, and educating patients about financial aspects of care.<sup>18</sup> The biggest driver for mitigating medical debt within these programs appears to be the direct efforts to reduce patient costs.<sup>11</sup> In addition, these navigation programs are associated with broader improvements, including better understanding of available financial resources and reduced anxiety.<sup>11</sup>

- **Strategies for addressing medical debt collection** focus on ethical billing practices, including itemized billing and avoiding use of legal action.<sup>19</sup> Recent research has shown a decline in ECAs, such as credit reporting, lawsuits, wage garnishments, and liens.<sup>20-22</sup>
  - At the individual level, patient self-advocacy has been found to be effective in addressing medical bills, with associated improvements in understanding bills, access to payment plans, correction of billing errors, and/or receiving financial relief.<sup>23</sup> Unfortunately, broader programmatic support and guidance to help patients navigate medical debt and understand legal protections is limited.<sup>18</sup>

In the absence of standardized federal requirements, considerable variation across hospitals remains in medical debt mitigation and collection strategies. Research has shown that hospital financial performance is not tied to the level of financial assistance provided, and that the value of tax benefits received by some nonprofit hospitals outweighs the financial assistance they provide.<sup>24-28</sup> Strategies to increase the amount of financial assistance spending include having both a generous income eligibility threshold and well-publicized, accessible application processes.

Understanding hospital behavior requires looking to broader structural factors, as these may complicate hospitals’ ability and willingness to prioritize addressing medical debt. Such factors include pressures related to financial sustainability, the role of payers and insurance, the influence of private equity, and health policy changes, including recent cuts to Medicaid and enhanced premium tax credits. The high cost of health care stands out as a key underlying driver of medical debt.

## What We Do: Hospital Policies and Practices

While the research identifies strategies to help mitigate medical debt, hospital actions vary widely, with discrepancies between hospital policies and actual practices.

- More than 80% of hospital policies indicate they provide free and discounted care, but eligibility criteria vary substantially.<sup>29</sup> In terms of actual financial assistance provided, 45% of hospitals spend less than 1% of their operating expenses on financial assistance.<sup>30</sup>
- More than half of hospitals (59%) permit at least one kind of ECA, while only a small minority (4%) do not permit any.<sup>29</sup> The remaining 37% do not specify in their policy whether or not they permit ECAs. Evidence on actual debt collection practices is limited and fragmented. However, research has indicated that one-third of hospitals report taking legal action against patients.<sup>31</sup>

## What We Can Do Now: Effective and Promising Approaches

Our review revealed valuable insights into effective and promising approaches for reducing medical debt, as outlined below. An arrow denotes strategies that may involve patient and community representation.

### 1. Patient-Centered Financial Assistance and Other Programs

- Optimize financial assistance to improve both eligibility and access
- Hospital participation in Hospital Presumptive Eligibility (HPE) programs for temporary Medicaid coverage, although recent and pending health policy changes may present a more complex environment for such coverage, along with serious implications for the privacy and security of patient Medicaid data
- Staff support to help patients manage costs of care, apply for insurance and medication assistance, and coordinate with care teams and clinicians
- Offer sliding-scale, zero-interest payment plans and avoid predatory medical credit cards<sup>32</sup>

### 2. Ethical Billing and Responsible Debt Collection

- Adopt ethical billing practices and avoid aggressive collections
- Engage with all hospital contracted entities to ensure consistent billing ethics

### 3. Organizational Leadership, Culture, and Decision-Making

- Focus on a hospital's mission of improving people's health, while also considering the value of ensuring that financial resources remain in communities for the well-being of both patients and the institution
- Engage clinicians, the community health or community benefit department, hospital social workers, hospital boards, and patient and community representatives in determining hospital financial policies

### 4. Partnerships with Community-Oriented Organizations

- Partner with community organizations to streamline processes and offer support in such areas as financial assistance navigation and debt relief

### 5. Engaging Policy, Industry, and Public Support

- Establish state requirements for financial assistance reporting and/or minimum spending, along with medical debt protections and reporting<sup>33,34</sup>
- Maintain mandatory state or voluntary industry billing standards
- Highlight model financial assistance policies for hospitals to adopt
- Develop a list of vendors vetted at the state or federal level, for example for financial navigation services or billing services
- Draw wider media and public attention to medical debt and the impacts of aggressive debt collection practices

## Conclusion

Medical debt is one of the most common and devastating financial burdens facing patients and families today. Addressing it will require collaboration across health systems, research, clinical, and community sectors. Patient and community engagement will be essential to ensuring a health care system that is focused on health improvement without financial harm.

For full methods, findings, and references, please see the complete report: [Hospitals and Medical Debt: A Report on Policies and Practices](#).

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