



# Hospitals and Medical Debt: Insights and Actions for Researchers

This is a summary of key findings from a longer report, *Hospitals and Medical Debt: A Report on Policies and Practices*. Intended for researchers, this brief discusses the problem of medical debt and the role of hospital policies and practices in addressing the issue, with a focus on what we know about effective approaches, as well as data gaps and areas for continued research.

## Why Medical Debt Matters

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>1</sup> 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>1-3</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>4</sup>

Hospitals have addressed medical debt through their financial assistance programs and curtailing the use of aggressive collection actions. To better understand these efforts, AcademyHealth, with funding from the ABIM Foundation, launched a project in November 2024 focused on examining health system medical debt policies and practices and their associated outcomes, identifying promising strategies as well as areas for further study.

## Environmental Scan Methods

AcademyHealth conducted a two-part environmental scan consisting of 1) a literature review; and 2) key informant interviews. The environmental scan addressed two research questions: 1) what is the nature and prevalence of health system policies and practices related to medical debt mitigation and collection; and 2) what is the impact of these policies and practices on patients and clinicians?

## Federal Regulatory Landscape

Under the Affordable Care Act, nonprofit hospitals must adopt and publicize a financial assistance policy, sometimes known as a charity care policy, that defines eligibility criteria for free or discounted care.<sup>5</sup> However, there are no federal standards about how generous those policies must be.<sup>6</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>6</sup>

States can play a critical role in addressing medical debt through their own policies, but fewer than half of states 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>6</sup> The uneven landscape of state policies is illustrated in the table below.

## What We Know: Addressing Medical Debt

From our environmental scan, we identified the strategies health systems use for medical debt mitigation and reducing collections.

- 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>7-14</sup>
- Strategies for addressing medical debt collection focus on ethical billing practices, including itemized billing and avoiding the use of legal action.<sup>15</sup> Recent research has shown a decline in ECAs, such as credit reporting, lawsuits, wage garnishments, and liens.<sup>16-18</sup>

In the absence of standardized federal requirements, considerable variation across hospitals remains. 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>19-23</sup>

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 was highlighted as a key underlying factor in the creation 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>24</sup> In terms of actual financial assistance provided, 45% of hospitals spend less than 1% of their operating expenses on financial assistance.<sup>25</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>24</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>26</sup>

## Number of States with Regulations for Medical Debt Mitigation and Collection

Financial Assistance Requirements	Number of States
Requirements for minimum eligibility and coverage rules	20 + DC
Medical Debt Protections	
Limits on credit reporting of medical debt	19
Limits for interest on medical debt	13
Regulating sale of medical debt to third parties	13
Strengthening wage-garnishment protections	35 + DC
Limits on liens or foreclosures	19 + DC
Reporting Requirements	
Requirements for hospitals to report on financial data, including total dollar amounts spent on financial assistance and/or bad debt	31 + DC
Requirements for hospitals to report on financial assistance program data, including numbers of applications received, approved, denied, and appealed	12
Requirements for hospitals to report on the above financial and application data by demographics, e.g., race, ethnicity, gender, preferred or primary language	6

Source: Maanasa Kona and Vrudhi Raimugia, *State Protections Against Medical Debt: A Look at Policies Across the U.S. in 2025* (Commonwealth Fund, July 2025).

## What We Need to Know: Key Evidence Gaps

While available data and evidence provide valuable insights into hospital policies and practices around medical debt, considerable gaps remain. Understanding the full scope of

medical debt requires more comprehensive and standardized data across several sources, including hospitals, credit reporting agencies, courts, and state-level data collection. The table below highlights areas where additional or improved data are needed to accurately assess medical debt burdens and inform more effective programmatic and policy solutions.

Summary of Gaps in Data and Evidence		
Topic	What is Missing	Why it Matters
<b>Population-Level Data</b>		
Prevalence of Medical Debt	The full extent of medical debt remains unclear, as medical debt takes many forms and is inconsistently measured, with most surveys capturing only partial indicators <sup>1</sup>	Hinders comprehensive analysis of the true scope, socioeconomic distribution, and full financial impact of medical debt on patients
Credit Reporting	Credit data are largely proprietary and held by private credit bureaus, creating high administrative barriers and costs to researchers	
Court Records on Medical Debt	Medical debt litigation data are difficult to compile given inconsistent digitization and unclear identification of originating providers <sup>27,28</sup>	
Credit Card Data	Extent of medical debt that exists on credit cards to pay medical bills, which is technically considered financial debt	
<b>Hospital-Level Data</b>		
Financial Assistance Applications	Hospitals do not routinely report on the number of financial assistance applications attempted, completed, and approved, including patient demographics (income, race/ethnicity), although some states have started to require reporting on these data	Impedes a full understanding of hospital activities regarding financial assistance and debt collection, and the affected patient populations
Debt Collection Practices	Hospitals do not routinely report on the number of patients with unpaid bills, the debt size, insurance status, and the number of ECAs, including patient demographics (income, race/ethnicity)	
Hospital Financial Transparency	Despite IRS and other reporting requirements, there is limited hospital financial transparency, such as information on assets, reserves, and profits, and there is lack of consensus regarding which data would be most meaningful to track	Limited transparency of hospital financial data makes it difficult to understand the varied capacities and needs of different hospitals and how to best ensure hospital sustainability while also being able to meet the needs of their patient populations
Hospital Operational Expenses and Revenue	Given the complexity of hospital financial administrative processes, there is limited insight into distributions of hospital revenue (e.g., what percentage of health care revenue goes to the hospital vs physicians vs third parties)	
Return on Investment of ECAs	While available data suggest limited benefit to pursuing ECAs, rigorous research is needed to assess the return on investment of various debt collection practices and whether this varies across hospital types <sup>29,30</sup>	Without a clear understanding of the overall costs vs benefits of ECAs, implementing the most effective debt mitigation strategies can be challenging
Landscape of Financial Tools	There is a lack of transparency of the vendors and products (e.g., presumptive eligibility tools <sup>3</sup> , revenue cycle management companies, medical credit cards) that hospitals are using, and their market share	Lack of information about the different products in use limits understanding of what benefits are accruing to whom, along with any associated adverse consequences

## Research/Evaluation Studies

State Policies	Variations in enforcement, implementation, and consumer awareness make it difficult to evaluate state policy protections <sup>31,32,33</sup>	Limits understanding of how different policies affect patients, hospitals, communities, and local economies, including making the business case for reform
Programmatic Interventions	Rigorous evaluations are needed to assess different programs for addressing medical debt, e.g., financial navigation programs	Effectiveness of different medical debt interventions and their impacts on patients and families is unclear
Business Case for Underfunded Health Services	Rigorous evidence quantifying the economic and broader societal value of health care services, such as preventive care and palliative care	Health care services that have the potential to curb avoidable procedures, improve patient wellbeing, and provide cost savings remain underfunded

\*Presumptive eligibility tools automatically assess financial assistance eligibility and are different and distinct from Hospital Presumptive Eligibility (HPE) programs for temporary

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

Our environmental scan revealed valuable insights into effective and promising approaches for reducing hospital medical debt, including:

1. Enhancing patient-centered financial assistance
2. Ensuring ethical billing and responsible debt collection
3. Promoting organizational culture change
4. Partnering with community-oriented organizations
5. Engaging broader policy, industry, and public support

On the research front, advancing equitable solutions to addressing medical debt will require better measurement, transparency, and evaluation aimed at closing the evidence gaps.

## Conclusion

Critical data and evidence gaps limit our understanding of how hospital practices contribute to or mitigate medical debt. Researchers can make significant impact in this field by advocating for and building better data, and working on rigorous evaluations to inform interventions that protect patients and support sustainable hospital operations.

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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