



Hospitals and Medical Debt: Insights and Actions for Clinicians

This is a summary of key findings from a longer report, *Hospitals and Medical Debt: A Report on Policies and Practices*. Intended for clinicians, this brief discusses the problem of medical debt, the role of hospital policies and practices, what we know about effective approaches, and opportunities for clinicians to influence change within their own system.

Why Medical Debt Matters

Medical debt has become one of the most pervasive financial burdens facing households in the United States.¹ 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 also at risk.² 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.³

- **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.⁴

- **Impacts on Patients and Clinicians:** 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, with implications for the patient and clinician experience.⁴⁻⁶ Clinicians may experience moral distress when they learn about aggressive medical debt collection practices, but often lack a collective voice and formal channels for influence within the system.

What Clinicians Can Do

- Gain a better understanding of their hospital's financial assistance policies
- Engage with hospital leadership and administration to champion for stronger alignment between hospital financial practices and organizational ethics and values, raising awareness of how medical debt impacts patients
- Explore opportunities to engage patients in conversations about the costs of care, such as discussing overall costs and high-value care when possible, pointing patients to a hospital's financial assistance policies in case they might be eligible, or directing them to patient-oriented organizations that offer financial navigation support.

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.⁷ However, there are no federal standards about how generous those policies must be.⁸ 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.⁸

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.⁸

What We Know: Addressing Medical Debt

Key strategies for mitigating medical debt include:

- hospital financial assistance,
- Hospital Presumptive Eligibility (HPE) for temporary Medicaid coverage,
- financial navigation services, and
- medication-focused assistance.

Our review of the literature found that these strategies are associated with increased patient access to care, cost savings, and improved health outcomes.⁹⁻¹⁶ Programs focused on specific health conditions have been particularly effective, such as cancer treatment or bariatric surgery, which have involved clinician engagement through conversations about cost with patients or structural efforts to limit costs of care and leverage external financial assistance programs.^{9,17} Notably, by improving access to care through increased detection and management of treatment-sensitive conditions, such as diabetes and heart disease, financial assistance has been found to support high-value care. These improvements can contribute to better health outcomes and may prevent more costly treatments in the future.^{9,18}

Strategies for addressing medical debt collection focus on ethical billing practices, including itemized billing and avoiding use of legal action.¹⁹ Recent research has shown a decline in ECAs, such as credit reporting, lawsuits, wage garnishments, and liens.²⁰⁻²²

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.²³⁻²⁷

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.²⁸ In terms of actual financial assistance provided, 45% of hospitals spend less than 1% of their operating expenses on financial assistance.²⁹
- More than half of hospitals (59%) permit at least one kind of ECA, while only a small minority (4%) do not permit any.²⁸ 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.³⁰

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 approaches that would involve clinician engagement.

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 cards³¹

2. Ethical Billing and Responsible Debt Collection

- Adopt ethical billing practices and avoid aggressive collections
- Engage with all hospital contracted entities, including revenue cycle vendors, physician groups, and others, to ensure consistent billing ethics

3. Organizational Leadership, Culture, and Decision-Making

- Engage hospital leaders who consider the hospital's broader role and impacts in the community
- Engage clinicians, the community health or community benefit department, hospital social workers, hospital boards, and patient and community representatives in determining hospital financial policies
- Consider trust as a unifying force as both hospital leaders and clinicians may experience a loss of trust with the increasing corporatization of health care

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 ^{32,33}
- 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 revenue cycle management companies
- Draw wider media and public attention to medical debt and the impacts of aggressive debt collection practices

Conclusion

Medical debt and prohibitively costly care undermine trust, affecting both the patient and clinician experience. By working with patients, health system leaders, and other partners, clinicians can take meaningful steps in addressing medical debt.

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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