



# Hospitals and Medical Debt: Insights and Actions for Health System Leaders

This is a summary of key findings from a longer report, *Hospitals and Medical Debt: A Report on Policies and Practices*. Intended for health system leaders, this brief discusses the problem of medical debt and the role of hospital policies and practices in addressing it, with a focus on effective approaches and actions that can be taken now, even amid fiscal constraints.

## 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 also 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>

- 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>4-6</sup>
- 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 Health System Leaders Can Do

- Lean into offering patient-centered financial assistance policies that are anchored in ethical billing practices that prioritize responsible debt collection
- Drive internal culture change that connects revenue health to community impact
- Build trust with community partners by streamlining processes and being visible and vocal on policy changes that help patients

## Environmental Scan Methods

To better understand hospital efforts to address medical debt, AcademyHealth, with funding from the ABIM Foundation, conducted an environmental scan consisting of 1) a literature review; and 2) key informant interviews. The 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?

## 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>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 shaping the environment in which hospitals address medical debt. However, fewer than half (20 states and the District of Columbia) establish minimum standards for hospital financial assistance. 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 such as hospital financial assistance, Hospital Presumptive Eligibility (HPE) for temporary Medicaid coverage, financial navigation services, and medication-focused assistance are associated with increased access to care, cost savings, and improved health outcomes.<sup>10-17</sup>
  - Financial assistance has been found to increase detection and management of treatment-sensitive conditions (e.g., diabetes and heart disease),

supporting high-value care. These improvements can contribute to better health outcomes and may prevent more costly treatments in the future.<sup>10,18</sup>

- Hospital leaders have supported HPE participation as a means to reduce hospital bad debt (i.e., charges the hospital considers uncollectible), improve patient satisfaction, and save resources and time that would have otherwise been spent collecting from patients with a low likelihood of payment.<sup>19</sup> It should be noted, however, that recent data sharing requirements have serious implications for the privacy and security of patient Medicaid data.
- Strategies for addressing medical debt collection increasingly emphasize ethical billing practices, such as clear, itemized billing and avoiding the use of legal action.<sup>20</sup> Recent research has shown a decline in ECAs, such as credit reporting, lawsuits, wage garnishments, and liens.<sup>21-23</sup>
  - Several key informants questioned the return on investment of aggressive collection practices, given the limited dollar amounts that can be recouped, and the considerable harm caused for patients. They emphasized the involuntary nature of receiving many kinds of medical care, such as emergency care; the high costs of health care; and patients’ limited ability to understand and navigate the processes around medical debt that leaves patients uniquely vulnerable with little recourse when facing aggressive collection actions.

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>24-28</sup>

Health systems operate within a complex set of financial and operational pressures that can complicate efforts to prioritize medical debt mitigation. These include maintaining financial sustainability, navigating payer and insurance dynamics, responding to evolving health policy changes, and, increasingly, the influence of private equity ownership or investment. Most recently, policy shifts, including cuts to Medicaid and enhanced premium tax credits, threaten both hospital revenues and patients’ health insurance coverage. The high cost of health care stands out 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>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 Need to Know: Key Evidence Gaps

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. Significant gaps remain in estimates of the prevalence of medical debt, hospital reporting practices, financial transparency, and evaluations of existing interventions.

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

Our environmental scan revealed valuable insights into effective and promising approaches to reduce medical debt. While hospitals face real financial pressures, especially in today's shifting policy and payer environment, how hospitals structure financial assistance, billing, and collections matters for both patient well-being and institutional trust.

### Approaches that Hospitals Can Lead

#### 1. Patient-Centered Financial Assistance and Support

- Optimizing financial assistance to improve eligibility and access
- Participation in 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

- Dedicated staff for patient guidance (insurance, medications, care costs) and coordination with care teams
- Presumptive eligibility tools<sup>a</sup> to streamline aid access (with safeguards for privacy protections and verification of hospital-established eligibility criteria as opposed to patients' propensity to pay)<sup>32</sup>

- Sliding-scale, zero-interest payment plans; avoidance of predatory medical credit cards<sup>33</sup>

#### 2. Ethical Billing and Responsible Debt Collection

- Transparent communication of charges
- Access to billing representatives
- Avoidance of aggressive collection tactics
- Consistent billing ethics across all contracted entities

#### 3. Organizational Leadership and Culture Change

- Engaging hospital leaders to balance revenue with community impact
- Involving clinicians, the community health or community benefit department, hospital boards, social workers, and patient and community representatives in financial policy design
- Leveraging trust as a guiding principle, as both hospital leaders and clinicians may experience and see a loss of trust with the increasing corporatization of health care

#### 4. Community Partnerships

- Collaborating with community-oriented organizations to streamline processes and offer support in such areas as financial navigation assistance and debt relief
- Investing in patient-centered financial products that do not use predatory practices

### Approaches That Require Broader, External Leadership

#### 5. Policy, Industry, and Public Engagement

- State-level requirements for minimum financial assistance spending, debt protections, and reporting<sup>34,35</sup>
- Federal/state policies to simplify financial assistance applications and ensure nonprofit spending aligns with tax benefits
- Model financial assistance policies
- Mandatory state or voluntary industry billing standards
- Prohibiting ECAs, including credit reporting

<sup>a</sup> Presumptive eligibility tools automatically assess financial assistance eligibility and are different and distinct from Hospital Presumptive Eligibility (HPE) programs for temporary Medicaid coverage.

- Development of vetted vendor lists at the state or federal level to identify socially responsible services, e.g., financial navigation services, revenue cycle management companies
- Holding insurers accountable for affordable plan design and pre-enrollment education<sup>6</sup>

## Conclusion

Health systems can reinforce their mission and strengthen community trust by addressing medical debt and aligning financial policies with patient-centered values and evidence-based practices. By engaging with organizational leadership, clinicians, and community partners, health systems can help advance more equitable and sustainable approaches to medical debt that better serve patients, communities, and the institutions themselves. In the second year of this project, we aim to learn more from hospitals and other key partners to support the adoption of ethical medical debt policies and practices. If you are interested in sharing your hospital's approach to addressing medical debt, please reach out to us at: [rc-trust@academyhealth.org](mailto:rc-trust@academyhealth.org).

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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