

# Medical Debt in Maine January 25, 2024

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## Medical Debt - National

- **100,000,000 have medical debt (41% of US Adults)**
- **\$195 Billion in 2019**

Source: KFF Medical Debt Survey, March 2022

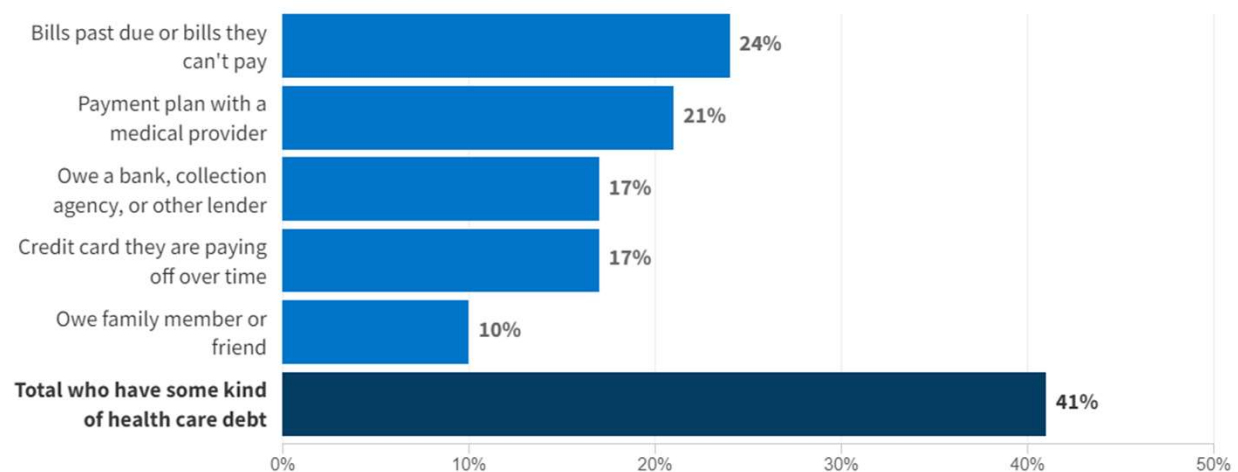
## Amounts Owed

- **34% owed less than \$1,000**
- **22% owed \$1,000 to \$2,500**
- **32% owed \$2,500 to \$10,000**
- **12% owed \$10,000 or more**

Source: KFF Medical Debt Survey, March 2022

### What Kind of Health Care Debt Do Americans Have?

Share of adults who have the following types of health care debt:



Source: KFF Health Care Debt Survey of 2,375 U.S. adults, including 1,674 with current or past debt from medical or dental bills, conducted Feb. 25 through March 20. The margin of sampling error for the overall sample is 3 percentage points.

Credit: Daniel Wood/NPR and Noam N. Levey/KHN

## Household Impacts of Medical Debt

- **63% - Cut spending on food, clothing, utilities and other basics**
- **48% - Used up all or most of savings to pay it off**

Source: KFF Medical Debt Survey, March 2022

## Household Impacts of Medical Debt

- **11% forced to declare bankruptcy at some time in their life**
- **6% said they lost their home to eviction or foreclosure at least in part because of medical debt**

Source: KFF Medical Debt Survey, March 2022

## Impacts on Medical Care

- **66% - Said they or a member of a household put off getting needed medical care because of costs**
- **1 out of 7 people said they have been denied care by a medical provider because of unpaid bills**

Source: KFF Medical Debt Survey, March 2022

## Causes of Medical Debt

1. **Poor Health Status & Low Income**
2. **Lack of Health Insurance Coverage**
3. **High Out-of-Pocket Cost Sharing**
4. **Complicated Insurance Adjudication Process**
5. **Unfair Billing and Aggressive Collection Practices**

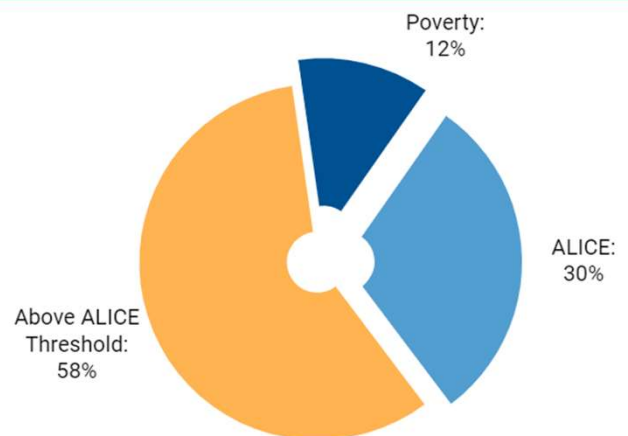
## Financial Vulnerability

**Half of US adults cannot pay a surprise medical bill of \$500 or more, without selling assets or borrowing money from relatives**

Source: KFF Medical Debt Survey, March 2022

## Financial Vulnerability

- **ALICE = Asset Limited, Income Constrained, Employed**
- **At least 42% of households in Maine live paycheck to paycheck**
- **People above ALICE threshold can also have trouble paying medical bills.**



Source: United for ALICE / United Way

## Insured, but with High Cost Sharing

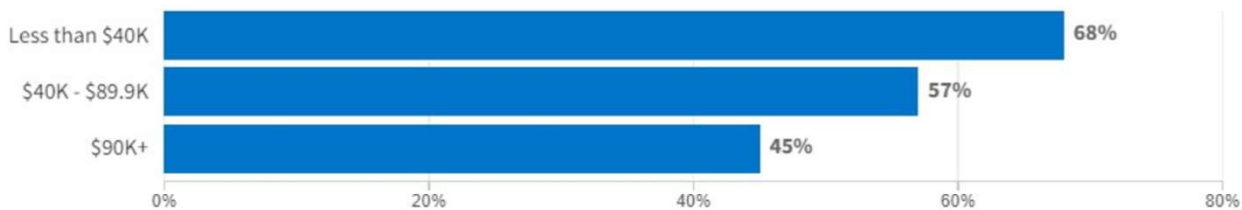
- **40% of people with employer-based coverage have problems affording cost-sharing, premiums and medical expenses for themselves or a family member**
- **Many people with insurance do not have enough liquid savings to pay for typical deductible costs of \$2,000 for single-person households and \$4,000 for multi-person households**

Source: KFF Employer Survey, 2019

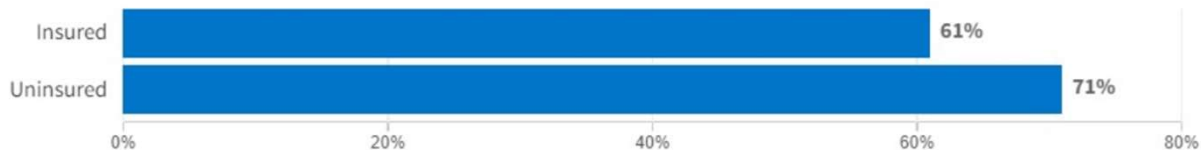
### Debt Hits Even High-Income and Insured People

Share of adults who have had health care debt in the past five years:

#### ANNUAL HOUSEHOLD INCOME



#### INSURANCE STATUS (RESPONDENTS UNDER AGE 65)



Source: KFF Health Care Debt Survey of 2,375 U.S. adults, including 1,674 with current or past debt from medical or dental bills, conducted Feb. 25 through March 20. The margin of sampling error for the overall sample is 3 percentage points.

Credit: Daniel Wood/NPR and Noam N. Levey/KHN

KFF Medical Debt Survey, March 2022

## Medical Debt = Most Prevalent Type

- **Medical Debt is #1 source of debt collections, surpassing credit cards, utilities, auto loans and other sources**
- **58% of all bills in debt collection and on credit records are medical debts**

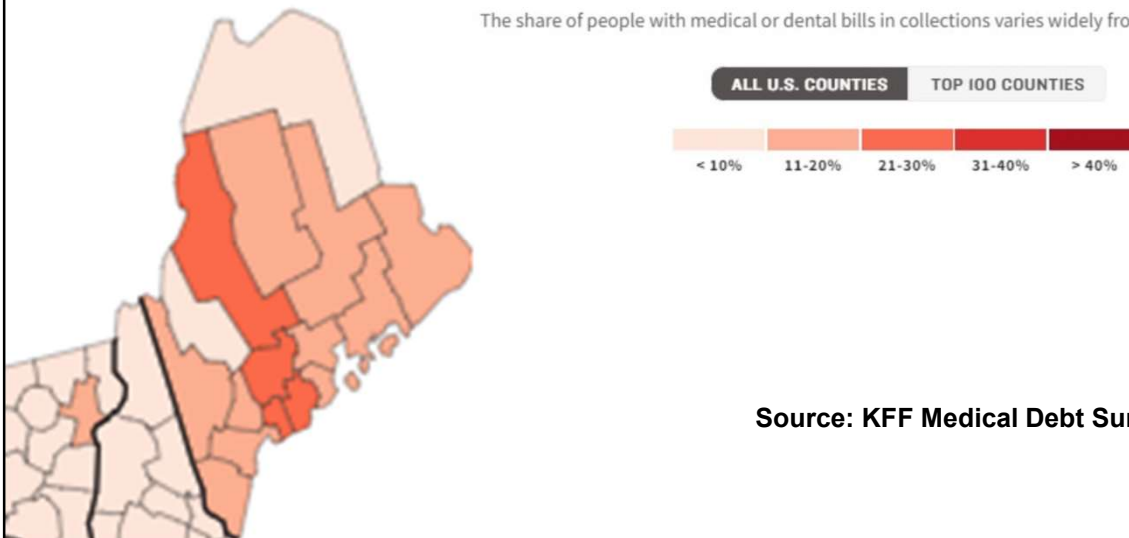
## Consequences

- **Payment plan with hospital or provider**
- **Credit card debt**
- **Third-party debt collection**
  - **Frequent Calls, Text Messages, Mail**
  - **Damaged Credit Standing**
  - **Lawsuits**
  - **Court Judgments**
  - **Wage and Bank Account Garnishment**
  - **Liens on Primary Residences**
  - **Bankruptcy**

# Medical & Dental Bills in Collections

## Where Medical Debt Hits the Hardest in the US

The share of people with medical or dental bills in collections varies widely from one county to another



Source: KFF Medical Debt Survey, 2022

## Solutions

1. **Expand Insurance Coverage and Reduce Cost-Sharing**
2. **Reform Medical Billing To Reduce & Eliminate Amount of Debt Incurred; Expand Access to Financial Assistance and Low-Cost Payment Plans**
3. **Reduce & Eliminate Harsh Medical Debt Collection Practices**
  - reduce high interest rates for debt
  - lawsuits, court judgments, liens and garnishment
  - reporting to credit bureaus



## Medical Debt & Credit Reports



**Medical debt has special character. No one voluntarily seeks to incur it; the debt arises from accidents, illnesses, and the high cost of care**

## Medical Debt & Credit Reports

- **Credit reports were established for credit granting purposes for financial products such as credit cards, auto loans, mortgages**



- **Credit scores can be negatively impacted by medical debt, making it much more expensive to buy a home, a car or insurance**

## Medical Debt & Credit Reports

- **51% of all credit reports show medical debt; largest single category of debt reported**
- **Grace period for medical debt reporting has been extended nationally from 6 months to 1 year**
- **Amounts under \$500 are also no longer reported, because of voluntary agreement with credit bureaus**

## Medical Debt & Credit Reports

- **In 2023, Colorado and New York passed laws banning the reporting of medical debts of any size to credit bureaus**
- **In September 2023, the Consumer Financial Protection Bureau announced it plans to develop national regulations to ban reporting of medical debts to credit bureaus**
- **Check your credit report for free at [www.AnnualCreditReport.org](http://www.AnnualCreditReport.org)**

## Medical Debt & Credit Reports

- **Debt collectors often use threat of damaged credit in coercive way to force consumers to pay up**
- **Medical debt actually makes credit reports less accurate for intended purpose, according to the CFPB; not predictive of risk**
- **In 2022, CFPB issued advisory opinion indicating states may wish to restrict reporting of medical debt**

**Thank You!**

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