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Advancing Health in America

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**Statement**

**of the**

**American Hospital Association**

**for the**

**Committee on Health, Education, Labor & Pensions**

**of the**

**United States Senate**

**"What Can Congress Do to End the Medical Debt Crisis in America?"**

**July 11, 2024**

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) writes to share the hospital field's comments on medical debt. While we appreciate Congress's interest in addressing medical debt, we encourage policymakers to do more to prevent patients from incurring this type of debt, rather than focusing on credit reporting and alleviating acquired debt.

## OVERVIEW OF MEDICAL DEBT

More Americans than ever are dealing with medical debt, a consequence of patients not paying some or all their health care bills, despite benefiting from the highest levels of insurance coverage in history. Unlike other types of debt, medical debt can be unexpected, due to an accident or illness. These debts can impact patients' abilities to pay for necessities, including food, clothing and household items, and can result in patients using savings or loans to address their medical debt. Recent polling by the KFF found that "41% of adults have health care debt according to a broader definition, which

includes health care debt on credit cards or owed to family members."[1] The survey also showed that:

- U.S. residents owe at least $220 billion in medical debt.
- Approximately 14 million people (6% of adults) in the U.S. owe over $1,000 in medical debt.
- About three million people (1% of adults) owe medical debt of more than $10,000.

Hospitals and health systems are very concerned about patients' medical debt. While health insurance is intended to be the primary mechanism to protect patients from unexpected and unaffordable health care costs, for too many that coverage is either unavailable or insufficient. Trends in health insurance coverage that are driving an increase in medical debt include inadequate enrollment in comprehensive health care coverage, growth in high-deductible and skinny health plans that intentionally push more costs onto patients and misleading health plan practices that confuse patients' understanding of their coverage. These gaps in coverage leave individuals financially vulnerable when seeking medical care. The primary causes of medical debt include the following.

- **There are still too many uninsured Americans.** Affordable, comprehensive health care coverage is the most important protection against medical debt. While the U.S. health care system has achieved higher coverage rates over the past decade, gaps remain.

- **High deductibles subject many Americans to cost-sharing they cannot afford.** High-deductible plans are designed to increase patients' financial exposure through high cost-sharing in exchange for lower monthly premiums. Yet many individuals enrolled in high-deductible plans find they cannot manage their portion of health plan expenses. A Federal Reserve report found that 37% of adults could not afford a $400 emergency, an amount $1,000 less than the average general annual deductible for single, employer-sponsored coverage.[2]

- **Certain health plans provide inadequate benefits that frequently lead to surprise gaps in coverage.** Short-term, limited-duration health plans and health-sharing ministries cover fewer benefits and include few to no consumer protections, such as required coverage of pre-existing conditions and limits on out-of-pocket costs. Patients with these types of plans often find themselves responsible for their entire medical bill without help from their health plan,

[1] https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/
[2] https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-expenses.htm

including critical services such as emergency medical and oncology care. These denials can lead to an accumulation of significant medical debt.[3]

- **Complex health plan benefit design and misleading marketing can expose patients to unexpected costs.** Many health plans have complex benefit designs that are not transparent to patients, such as what is covered pre-deductible, the interaction between point-of-service copays, coinsurance and deductibles, and poor communication and education about what the plan covers. For example, a recent National Association of Insurance Commissioners report found significant gaps and inconsistencies in how insurers share information about pre-deductible, no-cost-sharing preventive services with their members, resulting in a "meaningful barrier to effective understanding and use of preventive service benefits."[4]

## HOSPITALS AND HEALTH SYSTEMS ADDRESSING DEBT

Hospitals are the only part of the health care sector that provide services to patients regardless of their ability to pay. They underscore that commitment by offering financial and other assistance, including helping patients qualify for federal and state health care programs, such as Medicaid. In doing so, patients can receive regular preventive care, not just episodic care for serious injuries or illnesses. In addition, hospitals absorb billions of dollars of losses for patients who cannot pay their bills, mainly due to inadequate commercial insurance coverage; in 2020, the latest figure available, hospitals provided more than $42 billion in uncompensated care.[5]

This is why hospitals are staunch supporters of ensuring everyone is enrolled in some form of comprehensive coverage. However, we appreciate that closing the remaining coverage gaps may be a longer-term solution and that more immediate steps can be taken. To that end, the AHA has routinely developed patient billing guidelines to help prevent patients from incurring medical debt. The AHA's Board of Trustees adopted the most recent set of guidelines in 2020, which reaffirm the hospital field's commitment to:

- Treating all people equitably, with dignity, respect and compassion.
- Serving the emergency health care needs of all, regardless of a patient's ability to pay.
- Assisting patients who cannot pay for part or all the care they receive.

Tax-exempt hospitals are also subject to a federal statute that requires written financial assistance and debt collection policies. These hospitals must wait at least 120 days after sending the initial bill to initiate extraordinary collections actions, notify the patient

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[3] https://kffhealthnews.org/news/sham-sharing-ministries-test-faith-of-patients-and-insurance-regulators/
[4] https://healthyfuturega.org/ghf_resource/preventive-services-coverage-and-cost-sharing-protections-are-inconsistently-and-inequitably-implemented/
[5] https://www.aha.org/system/files/media/file/2020/01/2020-Uncompensated-Care-Fact-Sheet.pdf

at least 30 days before taking the collections action and allow patients to submit financial aid applications for up to 240 days following the initial bill.

Several of the AHA's guidelines directly address medical debt, including encouraging hospitals to forego adverse credit reporting of outstanding patient bills. So far, nearly 2,800 hospitals and health systems have affirmed their commitment to the guidelines, and the AHA revisits them regularly for updates.

Some hospitals are taking additional steps to help all eligible patients afford their medical bills, including using programs originally intended for the uninsured. These "presumptive eligibility" endeavors include proactively screening patients for financial assistance eligibility, regardless of insurance coverage or whether a patient has completed a financial aid application. The goal is to limit the need for hospitals to seek repayment by reducing patients' financial liability to a more affordable amount.

## FEDERAL OVERSIGHT OF MEDICAL DEBT

Policymakers at the federal level have acted to address the burden of medical debt through statutory changes, such as collection practices of tax-exempt hospitals, as well as those made through the Fair Debt Collection Practices Act, as overseen by the Consumer Financial Protection Bureau (CFPB), which impact how medical debt is displayed on credit reports. Recently, CFPB issued medical debt payment products and medical debt collection practices requests for information and a proposed rule to ban credit reporting agencies from incorporating medical debt when calculating credit scores.

While hospitals and health systems are assisting patients with their bills, policymakers must do more to prevent them from incurring these debts. Rather than focusing on debt relief grants or putting additional administrative burdens on providers, Congress must ensure patients can access comprehensive, affordable health insurance products.

Some of these suggested changes include:

- Restricting the sale of high-deductible health plans to only those individuals with the demonstrated means to afford the associated cost-sharing.
- Prohibiting the sale of health-sharing ministry products and short-term limited-duration plans that go longer than 90 days.
- Lowering the maximum out-of-pocket cost-sharing limits.
- Eliminating the use of deductibles and co-insurance, and instead relying solely on flat co-payments which are easier for patients to anticipate and for providers to administer.
- Removing providers from the collection of cost-sharing by requiring health plans to collect directly from their enrollees the cost-sharing payments they impose. This approach would eliminate most patient bills from providers altogether.

Congress could also do more to improve health literacy by funding health navigators, community health workers and financial advisors to assist patients in selecting appropriate health insurance products**.**

## CONCLUSION

Thank you for your consideration of the AHA's comments on issues related to medical debt. We look forward to continuing to work with you to address these important topics on behalf of our patients and communities.