

Issue Briefs

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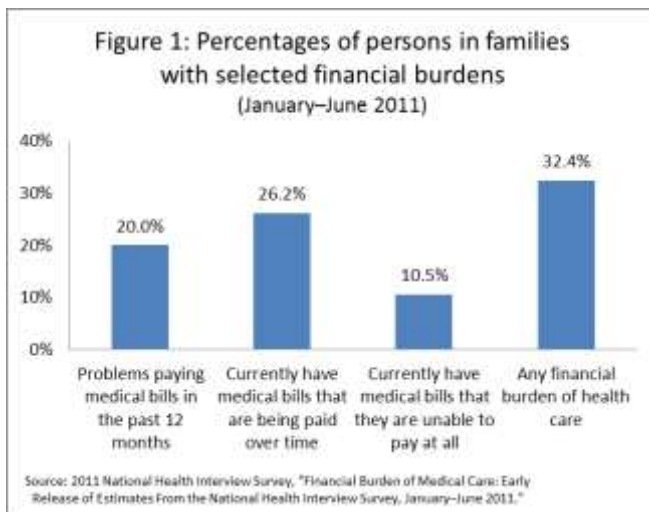
Family Financial Education



Medical Debt & Financial Security

Medical Debt's Burden

Based on the [National Health Interview Survey](#) (NHIS), a significant percentage of Americans are struggling to pay medical bills.¹ Figure 1 displays summary data from the 2011 wave of the NHIS. The last bar, "Any financial burden of health care," includes individuals in families that had problems paying medical bills in the past 12 months and people in families that are currently paying medical bills over time (only those with current bills were asked if they are unable to pay at all). Based on Figure 1, one in five people are in families with problems paying their medical bills, one in four are in families currently paying medical bills over time, and one in ten are in families with medical bills they are unable to pay at all.



See a [more detailed report](#) on the NHIS for demographic breakdowns. Taking one of these breakdowns, children ages 0-17 are

¹ The NHIS is a cross-sectional interview survey of civilian non-institutionalized population households.

three to five times more likely to live in families struggling to pay medical debt than adults ages 75 years and over. The survey also found that people with private, public or no health insurance were similarly likely to be in families currently paying medical bills over time. The uninsured and those with public insurance were more likely than individuals with private insurance to report problems paying their medical bills. Nonetheless, a nontrivial percentage of people with private insurance struggle to pay their medical bills, so private insurance by no means prevents all medical debt. Among people under age 65, 6% of individuals with private insurance were in families with medical bills they were unable to pay, versus 17% of those with private insurance and 23% of the uninsured.

In terms of the amount of medical debt Americans owe, it appears that few if any studies have been able to put an exact price tag on the total or average medical debt held by American households. This may be due to the difficulty in isolating medical debt from other debts (e.g., medical debt may be carried on a credit card), and the complexities in the health care billing and payment systems.

Minimizing Bill

The following strategies may help minimize medical bills or prevent the accumulation of large and in some cases catastrophic medical debt loads:

1. **Applying for insurance and checking eligibility for public programs.**
 - a. [Healthcare.gov](#) is the federal government's main website about health care. The site's "Find Insurance Options

Now” tool connects individuals to public, private and community programs. This tool contains detailed information about potential insurance plans.

- b. The [ACCESS](#) website is Wisconsin’s official screening tool for a variety of public programs including health care.
 - c. The WI Department of Health Services [website](#) includes information on finding and choosing health insurance, including specific considerations for subpopulations (e.g. college students, farmers, unemployed).
2. **For the insured, understand coverage to avoid preventable charges.** Even those with insurance face a variety of fees (e.g. premiums, co-pays, coinsurance, deductibles). By understanding the plan’s fee structure, it may be possible to avoid certain charges. For example, visiting an out-of-network provider may be both costly and avoidable.
- **For the uninsured or those who lack coverage for certain types of care, shop around to the extent possible.** The [Wisconsin PricePoint System](#) database contains information on hospital and surgery centers’ charges for common procedures. Regardless, it may be possible to negotiate lower rates than the ‘sticker price’ (e.g. by requesting the same rate that an insurance company would reimburse for a procedure). Emergency room care is a major expense for the uninsured. If possible, seek alternatives to emergency rooms and potentially use the WI PricePoint System or other methods to learn about costs before going to an emergency room. Many of the steps below for dealing with existing medical debt, including charity care, apply to the use of emergency rooms.
 - **Learn about community resources that provide free or reduced cost care.** The WI Department of Health Services [website](#) has information about free or low cost care in Wisconsin. The federal government’s [Find a Health Center](#) website contains a searchable database of community health centers

that provide a variety of services and charge on a sliding scale.

- **Seek assistance for ongoing prescription drug costs.** Prescription drugs can be a major medical expense. The WI DHS [Prescription Drug Assistance Programs website](#) lists potential sources of help for prescription drug costs.
- **Explore disability programs when faced with a chronic illness or for children with medical problems.** Social Security Disability Insurance and Supplemental Security Income (two separate programs; see the Social Security Administration’s [Benefits for People with Disabilities website](#)) may provide a source of income for individuals with certain medical conditions who meet eligibility guidelines. Receipt of SSDI and SSI also affect Medicare and Medicaid eligibility, respectively ([SSA](#)).

Dealing with Existing Medical Debt

Dealing with medical debt is often quite complicated because so many factors are in play. Each household’s circumstances are different. Nonetheless, the [Wisconsin Department of Health Services](#) and others have identified a broad set of strategies for dealing with medical debt. These strategies apply to a variety of situations, not just when medical debt has already reached unsustainable levels. Even smaller bills are medical debt until they are paid off. Households must often pursue several of these strategies at the same time. Perhaps the most important recommendation for dealing with medical bills and debt is to be as proactive as possible, as many of the strategies below have deadlines.

1. **Understand bills and insurance coverage. Dispute inaccuracies and denials.** The first step in dealing with medical debt is making sure bills are clear and understanding one’s insurance coverage. Opening a bill or returning a message is difficult when one is confronted with significant medical debt and potentially still

dealing with an injury or illness. Nonetheless, ignoring bills can ultimately close doors to potential help. Households with health insurance may receive a billing statement from the medical provider and/or an Explanation of Benefits (EOB) from their insurance company. The EOB shows what the insurance company will pay, what it will not cover, and why (the individual is then responsible for the amount the insurance does not cover). Not all doctors send statements, and not all insurance companies send EOB's. Thus, one may need to request billing statements and insurance information.

Open and review bills and EOB's as they arrive, and file all documents. Medical bills are notoriously difficult to decipher. Thus, one may want to request itemized bills and contact the provider or insurance company for an explanation of any unclear items or discrepancies. The [American Academy of Family Physicians' website](#) offers guidance on reading bills and EOB's.

Dispute all billing inaccuracies with the provider. When unable to resolve a billing dispute, contact the Wisconsin Department of Agriculture, Trade, and Consumer Protection at **1-800-422-7128**.

In terms of insurance denials, an insurer must provide a clear set of instructions for filing an appeal. One can either find this information in previous documentation from the insurer or request it. The appeals process likely has deadlines, so it is important to act quickly. This [blog post](#) from the New York Times contains detailed guidance on filing appeals. The Wisconsin Department of Health Services also provides [information](#) on dealing with health insurance problems such as denials. The [Wisconsin Office of the Commissioners of Insurance](#), which also has a complaints and information hotline at 1-800-236-8517, handles insurance complaints.

2. Contact the provider as soon as possible when unable to make payments. When it becomes clear that one will not be able to make payments, it is important to contact the provider or creditor as soon as possible. Doing so is often just the opposite of what somebody faced with mounting bills would prefer to do, but it may be possible to work out a payment plan. Document all of these contacts. In addition, ask for information about resources for people faced with medical debt. Hospitals often have counselors who can help patients in these situations (e.g. by screening for charity care / financial aid eligibility).

3. Public programs may cover some existing bills. Households that meet income and other requirements may be eligible for [Wisconsin Medicaid](#) or [BadgerCare Plus](#). Medicaid may cover some existing medical bills dating back up to three months. Given that coverage only extends back a maximum of three months, one must explore eligibility and apply as soon as possible. The State's [ACCESS website](#) offers a screening tool for eligibility for health and other assistance programs (or call the Department of Health Services at 1-800-362-3002).

4. Charity care / financial aid may be available through the hospital or outside organizations. Hospitals often have charity care programs that provide free or low cost services to lower-income households and households unable to pay their medical bills. Some hospitals are bound by federal law to provide free and reduced cost health care to those unable to pay ([WI DHS](#)). Because charity care programs are run by individual hospitals, it is necessary to obtain information about the eligibility requirements and application process from each hospital. Hospitals alert patients to the availability of charity care in a variety of ways, and patients should be proactive in seeking out information about these programs.

Individuals may be able to apply before or after they receive care but should verify the process beforehand to the extent possible. Some doctors also offer charity care.

Charities exist that provide relief to households with medical debt. Many of these charities offer disease-specific assistance. For example, the [CancerCare Co-Payment Assistance Foundation](#) helps cover payments related to specific cancers, and the [Leukemia & Lymphoma Society](#) offers a limited amount of financial assistance to people with blood cancer diagnoses. Examples of other charities include the [HealthWell Foundation](#) and the [Co-Pay Relief Program](#). According to the [Wall Street Journal](#), many people are introduced to charities through referrals, but it is also possible to seek them out oneself. The [Patient Advocacy Foundation](#) has searchable directories of organizations that offer assistance with medical debt.

5. Carefully consider using alternative sources of funds to pay medical bills.

Households faced with medical debt may turn to sources of funds, including credit cards, home equity loans, or retirement accounts, that come with significant financial drawbacks. One must carefully consider using these funds or other alternatives for medical debt.

Carrying medical debt on a credit card incurs high interest fees that spike even higher in the event of a missed payment. Even more importantly for some households, when medical debt is transferred to a credit card it may no longer be considered medical debt in the eligibility requirements for Medicaid and potentially other programs ([WI DHS](#)). There are reports of some medical providers steering people into credit cards (including “medical credit cards”) or other lines of credit with potential risks for consumers. If a credit card is used as a last resort, the individual is not bound by any third parties’

recommendations about which card to open. The consumer should instead shop around for the best card.

Homeowners with high medical debt may consider a second mortgage (i.e. home equity loan), but doing so comes with a major risk—borrowers who fall behind on home equity loan payments risk losing their homes to foreclosure. Finally, individuals with retirement accounts such as 401(k)’s typically face stiff penalties for early withdrawals. Nonetheless, retirement plans have guidelines about what constitutes a “hardship withdrawal,” and it may be possible to withdraw retirement funds without penalty to pay down medical debt. Each retirement plan has its own hardship withdrawal rules, and it is up to each individual to understand these provisions *before* he or she withdraws money. Withdrawing money from a 401(k) or other retirement plan can negatively affect the household’s retirement security, so use of these funds comes at a significant cost even if early withdrawal penalties are waived. Retirement accounts are typically exempt from bankruptcy, which is another factor people in a dire financial crisis may want to consider.

6. Seek help from a reputable free or low-cost credit counseling agency.

Individuals faced with mounting bills and payment problems due to medical and/or other forms of debt may benefit from credit counseling. Members of the National Foundation for Credit Counseling (NFCC) provide free and low-cost counseling. Search for NFCC-accredited counseling agencies [here](#). Many advertisements promote credit counseling and related services, but these companies can charge high fees and the value of their services may be unclear (see this [factsheet](#) from the WI Department of Agriculture, Trade and Consumer Protection).

For those reasons, NFCC member agencies are recommended.

7. Patient advocates can help navigate the system. The six points listed above outline a variety of strategies that in practice can be overwhelming and difficult to implement. One may want to work with an advocate, who can help navigate the system. Advocates often work for private businesses that may charge high fees, so it is important to shop around (price is of course not the only factor). Some employers have added advocates as an employee benefit, and advocates may also work for nonprofit or public agencies. Those seeking free assistance may want to start with the [Patient Advocacy Foundation](#). This New York Times [article](#) offers more information.

Collections and Ability to Discharge through Bankruptcy

When medical bills go unpaid, the medical provider may hire a third-party collection agency to pursue the payments it is owed. At that point, the unpaid bill will appear on the individual's credit report as a collections item, which can have a major negative impact on the individual's credit record. Collections will remain on a credit report for seven years. When a collection agency is hired, the medical provider will cease contacting the individual. Instead, the collection agency will take the lead in attempting to collect payments. Consumers have a variety of legal rights when contacted by debt collectors, including the ability to stop debt collectors from contacting them

(see these resources from the [Federal Trade Commission](#), [Chronic Disease Fund](#), and the [New York Times](#) for more information). It may be possible to work out a payment plan with the collections agency.

Medical debt may be dischargeable through bankruptcy, but one must find qualified legal advice. The Federal Trade Commission's [Filing for Bankruptcy: What to Know](#) website offers general information about the process. The [Wisconsin State Bar Association](#) offers a lawyer referral service and other information, and the non-profit [Legal Services Corporation](#) links to local programs offering legal services to low-income households.

Conclusion

A significant percentage of households in Wisconsin and across the country are faced with medical debt. The causes of medical debt are wide-ranging given the complexities of the health care system. This brief identifies ways to help prevent medical bills from reaching unsustainable levels and strategies for dealing with existing debt. Households may need to pursue multiple strategies at the same time, and external support may be available from several sources to help in this process. Much more information on the topics covered in this brief is available through the links included throughout the text and in the sections below. Because each household's circumstances differ widely, one must carefully consider how the information available through these sources applies to individual situations.

Links

The Access Project's [Medical Debt Publications](#). Research briefs on the effects of medical debt, including the links between medical debt and housing and credit.

[Eldercare](#). A free service of the U.S. Administration on Aging. The Eldercare Locator provides information about local and state agencies that assist older adults and their families on a range of issues including medical care.

Federal Trade Commission's [Dealing with Debt Website](#). Includes in-depth information on managing debt, credit repair, debt relief, and debt collection.

[HealthCare.gov](#). The federal government's main website about health care. Includes the "Find Insurance Options Now" screening tool, which connects individuals to public, private and community programs. The site has compiled detailed information about insurance plans. For example, individuals interested in obtaining a private insurance plan can use the "Find Insurance Options Now" tool and then sort plans according to doctor choice, price, and other features.

[Patient Advocate Foundation](#). Organization listed on the Wisconsin DHS website. The Patient Advocate Foundation offers free case management, educational materials, and live chat services to individuals navigating the health care system. The website includes searchable resource directories for households dealing with medical debt.

U.S. Department of Veterans Affairs [Health Benefits Website](#). A comprehensive source of information on health benefits for veterans. Includes an eligibility-screening tool, a benefits calculator, and a facility locator.

Wisconsin Department of Health Services [Consumer Guide to Health Care](#). Contains information on finding insurance, including links for specific subpopulations (e.g. college students, farmers, veterans). Also links to State-administered health programs including:

[ACCESS](#) – Screening tool to determine eligibility for public programs in Wisconsin.

[BadgerCare Plus](#) – Health insurance program for all Wisconsin children. Adults may be eligible and can determine their eligibility status by visiting [ACCESS](#).

[Family Planning Only Services](#) – Covers family planning services and supplies for eligible women ages 15 to 44.

[Medicaid](#) – Provides medical services for those who are poor, aged, blind, or disabled.

[SeniorCare](#) – Provides prescription drug assistance for people ages 65 and older.



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