



## *In Sickness and In Debt: An Overview*

In order to gauge the extent to which medical debt is a factor in personal bankruptcies and to explore the impact that debt has on individuals and families, Empire Justice Center undertook a survey of participants in bankruptcy clinics in four upstate urban areas: Buffalo, Rochester, Syracuse, and Albany. We gathered information on demographics and insurance status, and asked respondents whether they had unpaid medical bills from any sources, including hospitals, doctors, pharmacies, and ambulance services. For those with significant unpaid medical bills, we asked about the consequences of this debt for themselves and their families.

The findings offer a snapshot of the circumstances currently confronting low-income New Yorkers struggling with medical debt. The details that emerge provide an important perspective on the current health care policy debates; we hope the results will inform the resulting policy process.

### *Medical Debt Impacts More than Half the Respondents*

The data indicate that medical debt is a serious problem in cities across upstate New York. Over half of the people who sought help from bankruptcy clinics and responded to the survey were struggling with medical debt. In fact, the percentage of those with medical debt in the survey, 58%, is slightly higher than that documented in the recent national study conducted by Harvard.

### *Hospital Debt Impacts Most Respondents*

Eighty percent of those with medical debt reported owing money to hospitals, which underscores the theory that medical debt is rarely entered into voluntarily. The vast majority of medical debt found in the survey was driven by the crisis and aftermath of hospitalizations. However, almost 60% of those in debt owed money to doctors, with at least some of that debt owed to doctors as a result of hospital-based care.

### *Over Half Delayed Getting Care While Carrying Medical Debt*

Medical debt impacts access to health care. Over half of the respondents with medical debt had delayed getting at least one type of medical care they needed (58%). While only five percent said they delayed getting hospital care, 43% said they delayed visits to a doctor, 42% delayed dental care, and 31% reported delays in filling prescriptions.

Over 40% said the delays were a result of providers asking for cash up front or denying care because of unpaid bills.

### ***Fewer than 40% Offered Any Financial Assistance***

A total of 62% of those respondents with medical debt reported that they were not offered any financial assistance to help avoid or meet their debt; 71% had been contacted by a collection agency. It should be noted that 90% of all survey respondents had an income of less than \$25,000 per year. (The 2005 poverty level for a family of four is \$19,350; 125% of the poverty level for that family would be \$24,187).

### ***The Majority Had Some Coverage, Gaps in Coverage Caused More Debt***

Medical debt impacts both those who are uninsured and those who are underinsured. Indeed, 86% of those with medical debt were either covered by health insurance intermittently or continuously throughout the 12 months prior to taking the survey.

One of the strongest indicators of medical debt that emerged from the study was insurance status, specifically gaps in coverage. The data showed that those experiencing a gap in coverage were three times as likely to incur medical debt as those who were completely uninsured.

The fact that a very large percentage of those with medical debt experienced gaps in coverage is particularly alarming when viewed in light of the difficulty many low-income New Yorkers confront when trying to maintain their coverage through public health insurance programs, even when they are eligible for coverage.

Those without any insurance seem to have developed other coping mechanisms or are less likely to be seeking bankruptcy protection. Less than 15% of those with medical debt in the survey were completely uninsured. Those who are continuously uninsured may also be a healthier population, which is consistent with the survey's finding that the source of debt for those without any health coverage is more likely to be a new illness or injury than from an ongoing medical condition.

### ***The Impact of Medical Debt Goes Beyond Health Issues***

The surveys demonstrate that medical debt is likely to affect not only an individual's future access to health care, but also their economic and social well-being. A full 78% of those with medical debt reported at least one financial problem as a result of the debt; and 39% sought loans from friends and family.

Over half of the respondents with medical debt in the survey reported that owing money for medical bills contributed to a serious housing problem. Over 35% reported difficulty making rent or mortgage payments. Almost 12% were forced to move.

## ***Recommendations***

### ***Maintain, Strengthen and Expand Public Health Programs***

First and foremost, we urge New York policy makers to maintain, and work to increase, public health insurance coverage for low income people unable to access affordable employer-based coverage.

Barebones insurance policies must not be portrayed as encouraging prudent use of health care; low-income individuals and families simply cannot afford the same kind of out of pocket contributions to health care as middle and upper-income families. If we are to shield low-income families from medical debt and protect their often-fragile hold on financial independence, public insurance programs must provide adequate financial protection relative to income.

It is also crucial that New York investigate strategies for maximizing enrollment in its public health insurance programs. Those who are eligible for Medicaid or Family Health Plus should not face unnecessary barriers to coverage.

### *Strengthen and Expand Charity Care Policies*

Given the high levels of hospital debt and the low-level of provider assistance with unaffordable bills, we urge implementation of uniform charity care requirements for New York's hospitals and investigation of similar programs for other medical providers.

More specifically:

- Hospitals should be required to report the number of uninsured or underinsured patients they serve each year, the number of patients who are denied charity care, and to explain the hospital's annual charity care costs.
- Hospitals should implement clear and consistent eligibility standards and procedures for consumers seeking financial assistance through the hospital's charity care and should be required to notify patients about how to access charity care funds whenever bills are sent.
- Hospitals should work to screen patients for potential eligibility for on-going coverage through any public or private coverage they may qualify for – without constructing or imposing barriers to care.

To address these concerns we urge passage of the package of bills currently being carried by Assembly Insurance Committee Chairman Pete Grannis and Assembly Health Committee Chairman Richard Gottfried (A. 2519, A. 2520, A. 2521). As of this printing, Senator George Maziarz has introduced a companion bill to A.2519, which would require hospitals to disclose information of their use of charity care funds (S.4347).

The full report is available at [www.empirejustice.org](http://www.empirejustice.org) or by calling Michelle Peterson at (585) 295-5729.