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# Racial Inequities in Medical Debt



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# Medical Debt: Key Findings

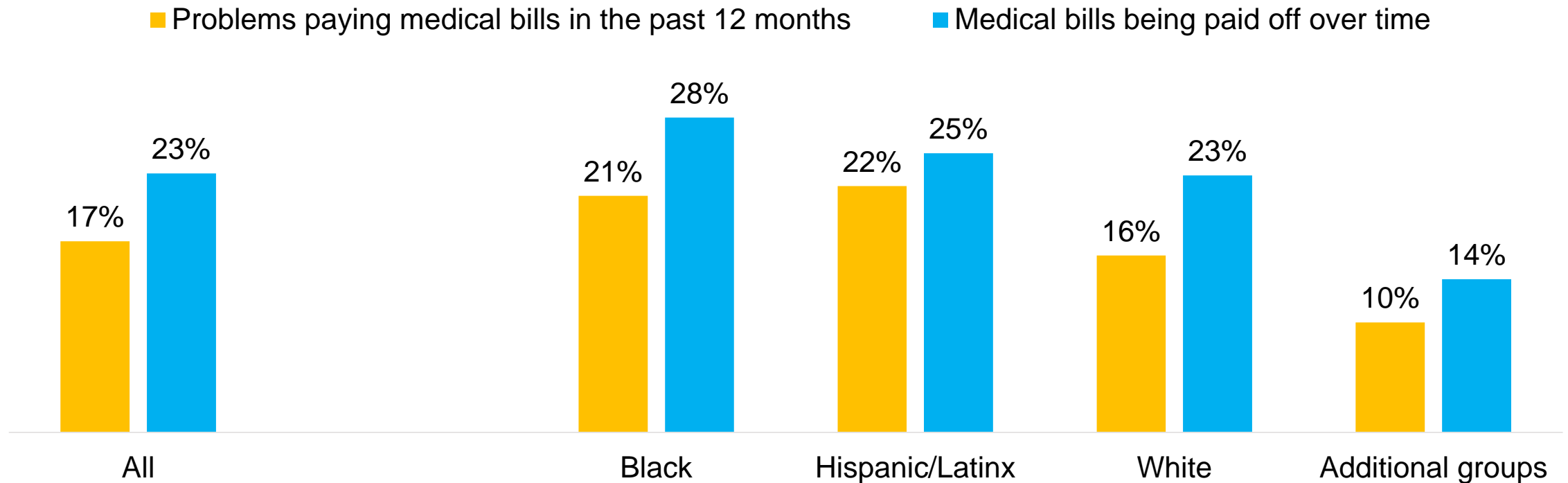
- Persistent racial and ethnic inequities in medical debt
- Health insurance coverage reduces medical debt, but does not eliminate disparities
- Recent trends show medical debt declining over time
- Potential policy solutions
  - Expanding coverage
  - Reducing out-of-pocket costs
  - Addressing debt collection and charity care practices
  - Supports to increase income and savings

# Medical Debt: Definition and Data

- Medical bills that people can't afford to pay at once and have to pay over time
- Balances owed to providers or paid with credit cards or loans
- Past-due bills may be referred to collection agencies, furnished to credit bureaus
- No comprehensive data source
  - Most studies rely on credit bureau data and household surveys

# Black and Hispanic/Latinx Adults More Likely than White Adults to Report Problems Paying Medical Bills

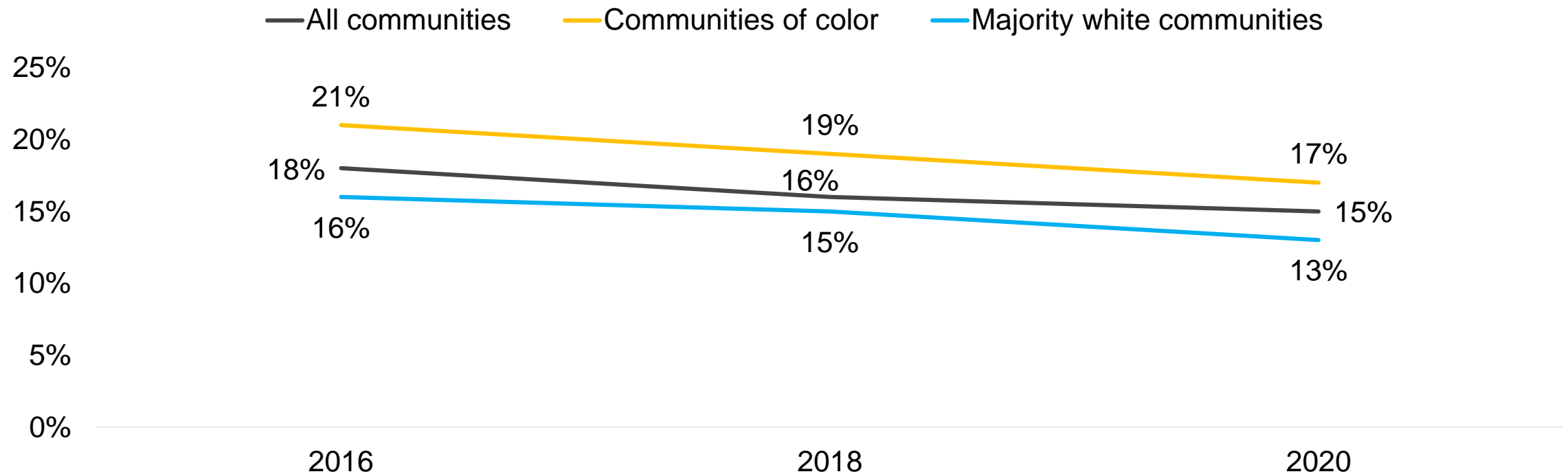
Share of Adults Ages 18 to 64 Reporting Problems Paying Medical Bills and Medical Debt, March 2019



Source: Unpublished tabulations of data from the Urban Institute Health Reform Monitoring Survey, quarter 1 2019. Please do not cite or circulate.

# Share with Medical Debt in Collections is Higher in Communities of Color

Share with Medical Debt in Collections, 2016 to 2020.



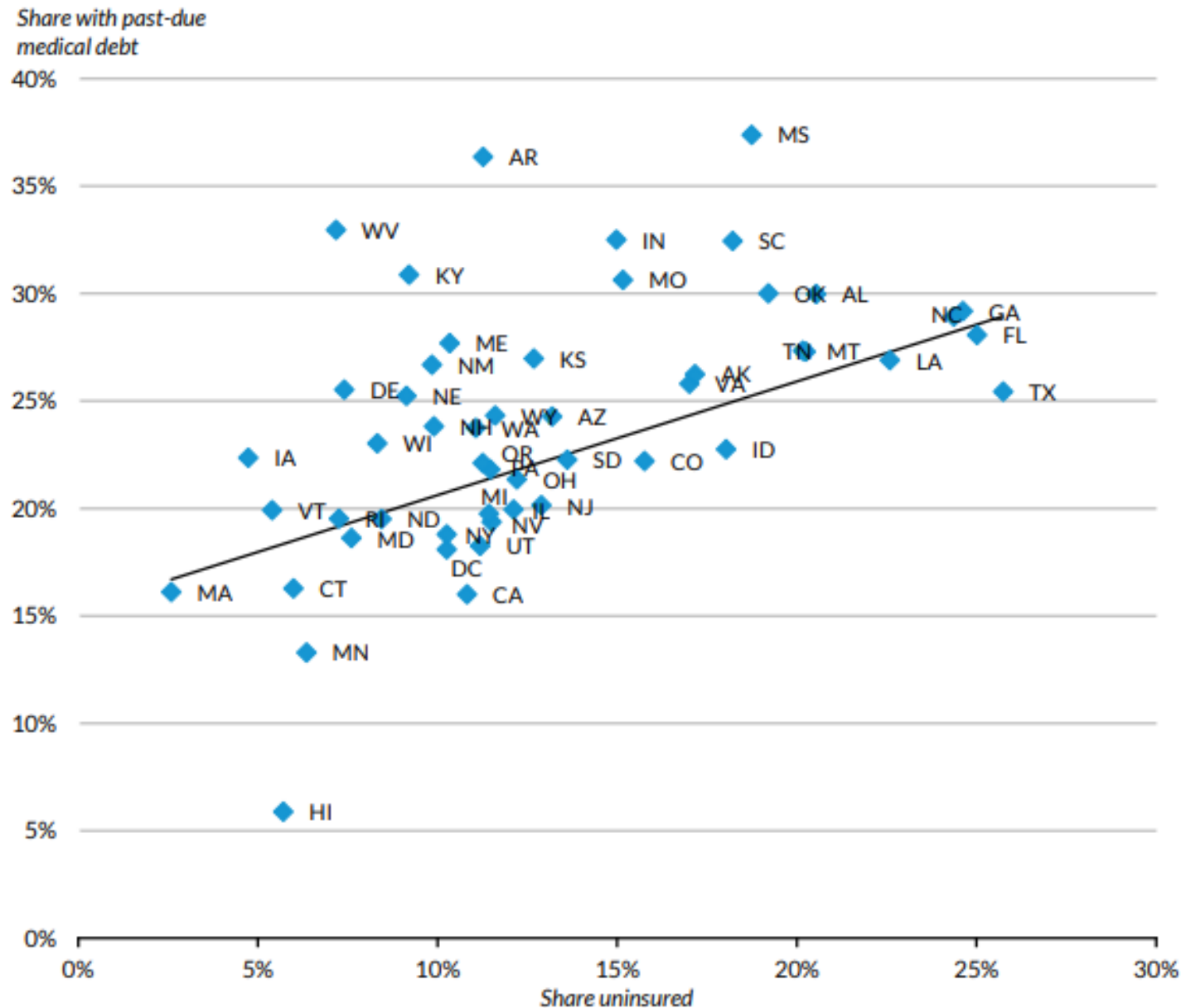
Source: Ratcliffe, McKernan, Lou, Hassani, and Quakenbush. 2018. "Debt in America: An Interactive Dashboard." Washington, DC: Urban Institute.  
Braga, McKernan, and Quakenbush. 2019. "Debt in America: An Interactive Dashboard." Washington, DC: Urban Institute.  
Braga, Carther, Martinchek, McKernan, and Quakenbush. 2021. "Debt in America: An Interactive Map." Washington, DC: Urban Institute.

# Role of Health Insurance Coverage

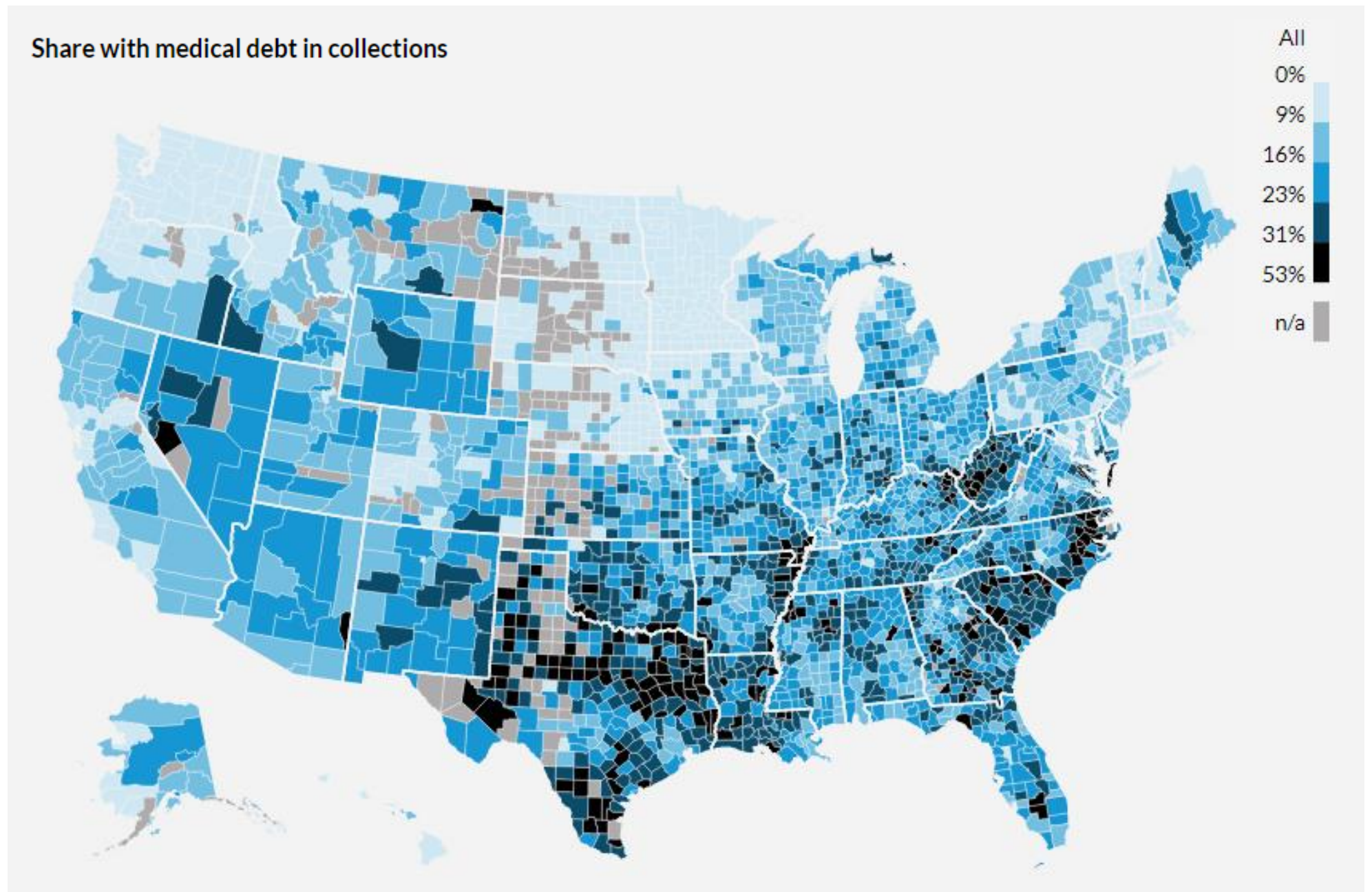
- ACA reduced but did not eliminate racial and ethnic differences in coverage
  - March 2019 HRMS uninsured rates for adults ages 18-64:
    - 23% of Hispanic/Latinx adults, 13% of Black adults, 9% of white adults
- Strong causal evidence that coverage expansions reduce medical debt
  - Oregon Health Insurance Experiment (Finkelstein et al. 2012)
  - Massachusetts health reform law (Mazumder and Miller 2016)
  - Pre-ACA Medicaid expansions (Gross and Notowidigdo 2011)
  - ACA Medicaid expansion (Brevoort et al. 2018; Caswell and Waidmann 2019)
  - Medicare eligibility at age 65 (Caswell and Goddeeris 2020)

## State-Level Share of Adults with Past-Due Medical Debt is Highly Correlated with State Uninsured Rates

Past-Due Medical Debt and Uninsured Rates among Adults Ages 18 to 64, by State, 2015



# Medical Debt in Collections is Concentrated in Southern Communities



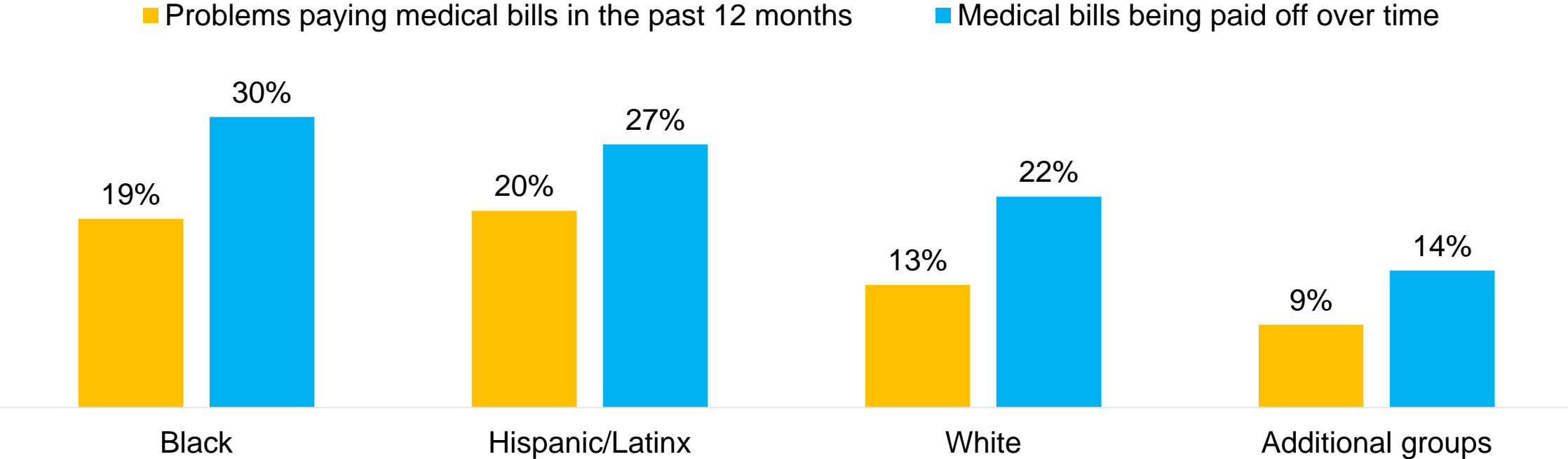


# Limits of Health Insurance Coverage

- Coverage does not always protect people from incurring medical debt
  - Most medical debt incurred when people have insurance (Karpman and Long 2015)
    - Among the privately insured, cost sharing is a more common reason for medical debt than services not being covered by health plan
  - Coverage more strongly associated with reducing large debts (Batty et al. 2018)
  - High deductible plans associated with medical debt (Rabin et al. 2020)

# Racial and Ethnic Inequities Persist Among Adults with Employer-Sponsored Coverage

Share of Adults Ages 18 to 64 with Employer-Sponsored Insurance Reporting Problems Paying Medical Bills and Medical Debt, March 2019



Source: Unpublished tabulations of data from the Urban Institute Health Reform Monitoring Survey, quarter 1 2019. Please do not cite or circulate.

# Recent Trends

- Declines in problems paying medical bills, medical debt in collections following recovery from Great Recession
  - Occurred across racial and ethnic groups
- Forthcoming data show continued decline in medical debt during COVID-19 pandemic
- Potential reasons:
  - Drop in health care utilization
  - Large increase in Medicaid enrollment offset declines in employer coverage
  - Pandemic relief reduced overall financial distress

# Potential Policy Solutions

- Coverage expansions
  - Elimination of Medicaid coverage gap
  - Extension of enhanced Marketplace premium subsidies
- Outreach and enrollment assistance
- Policies to reduce cost sharing
  - Tie Marketplace tax credits to cost of a gold plan and increase cost sharing reductions
  - Modify or eliminate firewall between employer coverage and Marketplace subsidies
- Implementation of the No Surprises Act

# Potential Policy Solutions

- Hospital and health care system debt collection and charity care practices
  - Ex. Changes in hospital lawsuits and wage garnishments in Virginia (Paturzo et al. 2021)
- State regulations
  - Ex. Maryland Medical Debt Protection Act
- Access to benefits that increase income and savings
  - Ex. Child Tax Credit

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# Survey Data

## “Flows”

- In the past 12 months did you have problems paying or were unable to pay any medical bills? (NHIS, MEPS)
- Did you have any medical bills you were unable to pay in full? (SIPP)

## “Stocks”

- Do you currently have any medical bills that you are unable to pay at all? (NHIS)
- Do you currently have any medical bills that are being paid off over time? (NHIS, MEPS)
- Do you currently have any unpaid bills from a health care or medical service provider that are past due? (NFCS)



# Credit Bureau Data

- Random samples of credit records from the 3 national credit reporting agencies
  - In Dec. 2020, 15% of people with credit records had medical debt in collections (Braga et al. 2021)
  - Medical debt accounts for over half of all debt in collections (CFPB 2014)
- Limitations
  - Only captures debt reported to credit bureaus
  - Can't always identify industry source
  - Can't identify past-due medical debt on credit cards, loans
  - Data lags