Consumers for Quality Care

Health Literacy – Understanding and Mitigating Medical Debt

One in three adults in the U.S. have medical debt, the largest source of debt in collections. October is Health Literacy Month, and as more and more Americans face crushing medical debt, Consumers for Quality Care (CQC) wants to educate consumers about the root causes of medical debt, provide insights that can help them make smart health care decisions during the upcoming Open Enrollment period and share information about policies that may help them avoid medical debt or lessen its consequences.

Choosing the Right Health Insurance Plan

Choosing the right insurance plan can go a long way in ensuring you don't fall into medical debt. Staying away from plans like short-term, limited-duration insurance (STLDIs); so-called coverage with lower premiums but sky-high deductibles, copays and coinsurance; and plans that prohibit prescription copay assistance from counting toward a patient's deductible can all help consumers avoid getting big bills they can't afford to pay.

High Deductibles, Copays and Coinsurance

When it comes to health care, the main problem for Americans is that out-of-pocket costs are too high. More than one-third have delayed needed care because they couldn't afford the out-of-pocket costs. Deductibles are the costs that people struggle with the most, and Americans are also concerned with copays and coinsurance.

Plans with high deductibles, coinsurance and copays typically have lower premiums, making them an attractive option for many people trying to reduce their monthly bills. However, when seeking care, people with these plans are often left with large bills they are unable to pay.

Junk Insurance Plans

Short-term limited duration insurance plans (STLDIs), also known as "junk insurance plans," often exclude coverage on pre-existing conditions, have dollar value limits on covered services, and are not required to cover preventative services, which can lead to medical debt.

Sixty-five percent of Americans believe preventing insurance from selling plans that cover so little that going to the doctor isn't affordable even with insurance, would reduce health care costs, but a 2018 Trump administration rule caused these barebones plans to proliferate.

Copay Accumulator Adjustment Programs (CAAPs)

Many Americans, particularly those with chronic diseases, rely on medicines to manage their conditions. With copay accumulator adjustment programs (CAAPs), insurers no longer allow drug cost sharing coupons to count towards patients' deductibles or caps on total out-of-pocket costs, allowing insurance companies to double dip. For some patients, their coupons run out before the end of the year—leaving them with unexpected amounts they can't afford to pay when they try to fill a prescription at the pharmacy.

These programs have a disproportionate effect on lower-income and vulnerable populations and those with chronic conditions such as cancer and HIV. And, while insurers are expected to be "transparent" about their CAAPs in plan documents, there is no mandatory disclosure, leaving patients vulnerable.

What You Can Do: When shopping for insurance, make sure to look out for plans with high deductibles, copays and coinsurance, STLDIs and CAAPs. While these plans often have lower premiums, they can leave you with big medical bills you aren't prepared to pay. Encourage your elected representatives to adopt policies that eliminate or scale back STLDIs, cap deductibles at levels low enough so people don't go into debt for seeking care and prohibit CAAPs. If you have a problem with your insurance coverage, contact your state insurance commissioner.

Policies That Can Help Avoid Medical Debt or Lessen Its Consequences

With 65% of Americans reporting that they or someone close to them has had a medical bill go into collections, CQC wants to ensure consumers are aware of policies that can help them avoid medical debt.

Surprise Billing and the No Surprises Act

Surprise billing is a major problem impacting consumers. Fifty-two percent of Americans are concerned that they will get a surprise medical bill and 60% have skipped or delayed going to the doctor or hospital because they were concerned about the out-of-pocket costs.

Fortunately, the No Surprises Act, which is intended to protect Americans from many of these surprise bills went into effect January 1, 2022. However, 20% of patients have received a surprise bill since the No Surprises Act went into effect, highlighting the complexity and weaknesses of the law.

What You Can Do: Encourage your elected officials to strengthen the No Surprises Act and ensure its proper enforcement. If you do get a surprise medical bill, request an itemized bill and carefully review it for errors. If you believe you've received a medical bill in violation of the No Surprises Act, submit a complaint with the Centers for Medicare and Medicaid Services (CMS) or contact your state insurance commissioner.

Nonprofit Hospitals and Charity Care

Hospital care is the single largest component of national health care spending, and hospitals are a major driver of medical debt. While nonprofit hospitals are organized as charities to deliver affordable health care to those in their communities who need it most, many of America's largest nonprofits are making big money.

Even though IRS rules require nonprofit hospitals to have financial assistance programs and prohibit them from taking "extraordinary collection actions" on unpaid medical bills without first attempting to determine patients' eligibility for financial assistance, one study found that only 42% of hospitals informed patients when they could be eligible for charity care, and 45% routinely send medical bills to patients whose incomes are low enough to qualify for charity care.

What You Can Do: Encourage your elected representatives to create strong, enforceable standards for charity care and ethical debt collection. When getting treatment at a hospital, ask about their charity care options and whether you qualify before paying any bills. If you believe a hospital is not following its approved charity care policy, has unlawfully denied you charity care coverage, or refuses to give you a charity care application, submit a complaint with your state health department.

Mitigating the Impact of Medical Debt

Medical debt can have long-term financial consequences on consumers. With millions of Americans battling $88 billion in medical debt, the Biden administration and credit bureaus are taking steps to reduce the impact of this debt on Americans.

This year, the three largest credit bureaus – TransUnion, Equifax and Experian – announced they would clear an estimated 70% of negative medical debt from consumers credit reports, including paid medical debt that had been in collections, unpaid medical debt that has been in collections for less than one year, and unpaid medical debt in collections totaling less than $500.

What You Can Do: If medical debt meeting one of these criteria is reported on your credit report, file a dispute directly with the credit reporting agency. Include a written explanation of the mistake and documentation to support your dispute. If you are experiencing aggressive debt collection, coercive credit reporting, or other problems with a consumer financial product or service related to medical billing and collections, submit a complaint to the CFPB.