Medical Debt

HIGHLIGHTS FROM THE AHS 2008

As part of the national healthcare reform debate, the problem of medical debt has been gaining attention. More and more Americans are accumulating debt from their medical bills. In 2007, 41 percent of the working adult population (ages 19 to 64) had problems paying medical bills, accrued medical debt, or both.[1] That estimate was up from 34 percent in 2005.

The consequences of this increased exposure to healthcare costs appear to be profound. In 2007, healthcare expenses were the most common cause of bankruptcy in the United States, accounting for 62 percent of US bankruptcies compared with 8 percent in 1981.[2]

Our questions: How big of a problem is medical debt for Arizonans? Who is being affected by medical debt? And what are the implications – both for individuals, as well as policy makers?

Patricia Herman, N.D., Ph.D. from the Evaluation, Research and Development Unit at the University of Arizona explored these questions using data from the 2008 Arizona Health Survey. This issue of *HealthTakes* summarizes her findings.

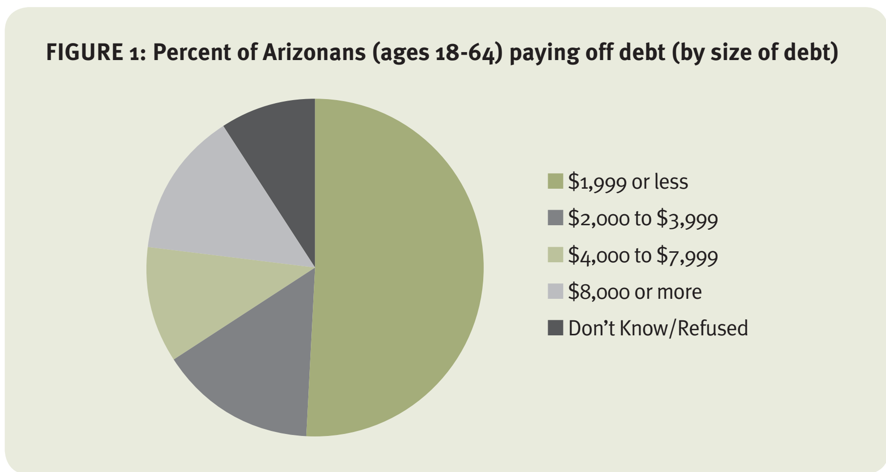
The Evidence

The $2.4 Billion Issue

Medical debt is a big issue for Arizonans. An analysis performed using data from the Arizona Health Survey shows that collectively, Arizonans possessed more than $2.4 billion in medical debt in 2008. Over one-in-four Arizona adults surveyed in 2008 were currently paying medical bills or had problems paying medical bills over the past year. Working age adults (age 18-64) fared even worse. Twenty-nine percent reported medical bill problems, debt, or both.

The size of the medical debts being paid off by Arizonans is similar to that seen nationally. Over half of working-age Arizonans was estimated to have a medical debt below $2,000. A whopping 14 percent of those surveyed had very large debts – $8,000 or more. (See Figure 1.)

FIGURE 1: Percent of Arizonans (ages 18-64) paying off debt (by size of debt)



Medical Debt Affects Wide Range of Arizonans

Medical debt affects Arizonans across economic lines. However, working adults with low and moderate incomes are particularly at risk. (See Figure 2.) Among working age adults, people are particularly vulnerable to medical debt during their middle years. (See Figure 3.)

FIGURE 2: Problems paying or currently paying off medical bills – by annual household income (in thousands)

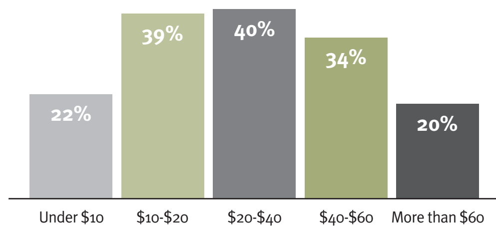
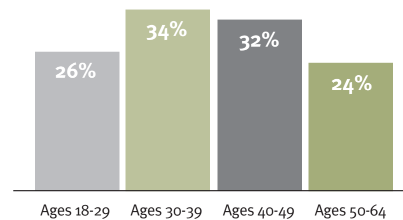


FIGURE 3: Problems paying or currently paying off medical bills – by age



Families with children are particularly at risk of accumulating medical debt. The odds of having medical debt are 60 percent higher in households with children, regardless of who heads the household. The rates of medical debt are similar in households headed by single females and by couples, and both of these have higher debt than households headed by single males.

Not surprising: People with chronic conditions are more likely to have medical debt. The odds for those with chronic physical conditions are two-thirds higher than for those who do not have a chronic physical condition, and people diagnosed with a chronic psychological disorder are twice as likely to have medical debt than those without these diagnoses.

People with large medical debts ($8,000 or more) are more likely to be very low income (those making less than $10,000 annually) and young (adults ages 18 to 29 years). Neither of these groups' members is likely to have the resources to bear significant debt.

Hispanics are no more likely than non-Hispanics to be exposed to medical debt, when factors explaining medical debt are considered. In other words, differences in medical debt levels cannot be explained by ethnicity itself, but are explained by other underlying disparities that exist between Hispanic and non-Hispanic residents.

Just Having Insurance Is Not Enough

One might think that insurance protects people from medical debt. Think again.

Eighty percent of those surveyed with a medical debt reported that they had insurance.

Looking at data on medical debt and problems paying bills by source of insurance coverage, it appears as if those who are uninsured are more likely to have medical debt. (See Figure 4.)

However, based on further analysis factoring in items such as age, health status, and consistency of coverage, insurance does not seem to predict whether or not you have medical debt.

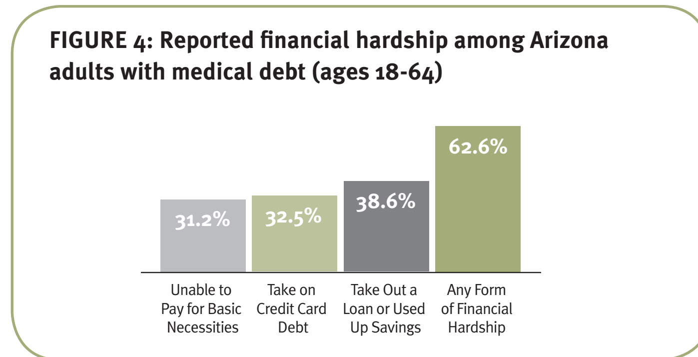
It seems that health insurance makes a difference in medical debt only when someone is insured continuously. Indeed, the research found that while insurance did not predict whether or not you had a medical debt, those who were continuously insured throughout the year were less likely to be exposed to medical debt. They were also less likely to experience delays in care.

When considered alone, having insurance does not affect the likelihood of having current medical debt. However, it does predict whether you report having problems paying your medical bills. The consistency of coverage and the extent of coverage benefits (e.g. whether coverage exists for prescriptions and dental and mental health services) also help predict whether or not you are likely having difficulty paying your medical bills.

Insurance also plays a role in having access to care. Those who are insured have one-third the odds of having delayed care or not getting needed care compared to those who are uninsured.

The Impact

Medical debt takes a financial toll on Arizonans. Nearly two-thirds of Arizonans aged 18-64 said their medical debt caused some form of financial hardship. Nearly one-third of those with medical debt said that they were unable to pay basic necessities (food, rent, utilities) due to their medical debt. (See Figure 4.)



Medical debt also results in delays in people seeking medical care. Nearly 40 percent of those with a medical debt delayed or did not fill a prescription. One-third stated that they delayed or did not receive needed care.

Implications

Medical debt causes financial hardships, even causing a sizable number of individuals to forgo their basic needs. Ultimately, this may lead to more expensive health care being sought.

Policy proposals aimed at promoting continuity of coverage may be one way of securing families from exposure to medical debt. If health coverage gaps that occur because of changes in income or employment are minimized, greater continuity of care may be achieved and exposure to medical debt may be minimized. Efforts to simplify enrollment and renewal of coverage can also help promote continuity of coverage.[3] Portability of coverage would also promote continuity. In addition, public policies that negatively affect the stability of coverage should be averted. For example, researchers have found that excessive monthly premiums paid by Medicaid and SCHIP recipients are related to coverage instability, and should therefore be avoided.[4]

Ultimately, it appears that insurance – at least as it exists today – is not doing enough to protect people from medical debt. More may need to be done to protect consumers from overwhelming financial hardships due to medical debt. As policy makers consider proposals to reform health insurance, particular attention may need to be placed on reducing deductibles, expanding covered services, reducing egregious terms of co-insurance, and curbing the denial of covered services – particularly among those who can least afford to pay.

Ultimately, policy makers may not achieve their end-goal of achieving greater access to care if they only consider how many people are insured. It is the consistency and adequacy of coverage – not just the breadth – of health coverage that may matter.

The Source

This issue of *HealthTakes* is based on a series of studies conducted by Patricia Herman, N.D., Ph.D. from the Evaluation, Research and Development Unit at the University of Arizona. Data for the study were from the 2008 Arizona Health Survey, a comprehensive survey of 4,200 households designed to assess health insurance coverage, health status, health-related behaviors, and social and environmental factors that affect population health. For more information about the survey and population health, please visit **www.arizonahealthsurvey.org**.

1 Doty, MM, et al., “Seeing Red: The Growing Burden of Medical Bills and Debt Faced by U.S. Families, 2003-2007.” *Issue Brief*, The Commonwealth Fund, August 2008.

2 Himmelstein DU, et al., “Medical Bankruptcy in the United States, 2007: Results of a National Study,” *American Journal of Medicine* 2009;122:741–746.

3 Summer, L. and C. Mann, “Instability of Public Health Insurance Coverage for Children and Their Families: Causes, Consequences, and Remedies,” The Commonwealth Fund, June 2006.

4 Ku, Leighton, “The Effect of Increased Cost-Sharing in Medicaid: A Summary of Research Findings,” Center on Budget and Policy Priorities, revised July 2005; Wright, Bill J. et al., “The Impact of Increased Cost Sharing on Medicaid Enrollees.” *Health Affairs*, July/August 2005.

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2929 N Central Ave, Suite 1550, Phoenix Arizona 85012 | 602.385.6500 ph | 602.385.6510 fx