How Effective are Different Policies at Fighting Medical Debt? A Researcher Weighs In

Around 100 million people in the U.S. have health care debt totalling at least $140 billion.

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Wes Yin says it's impossible to study health care these days without coming across the issue of medical debt.

"There's a lot of people who are struggling," said Yin, an associate professor of economics at UCLA and one of the nation's leading researchers on medical debt.

More than 100 million Americans have health care debt, according to an investigation by Kaiser Health News and NPR. Another study estimates that Americans have at least $140 billion in medical debt.

Medical debt can ruin people's credit scores, cost people their homes and force them into bankruptcy. Surveys show that it leads people to avoid care and skip prescriptions, especially among people of color and people with disabilities. Some studies have linked medical debt to a greater likelihood of having chronic pain, depression, early death and attempting suicide, but there's limited research on whether medical debt directly causes people's health to deteriorate.

When it comes to solutions, Yin's own research suggests that canceling medical debt leads to short-term increases in patients accessing needed medical care, and that Medicaid expansion leads to significant reductions in medical debt.

In recent years state, federal and industry leaders have enacted several policies to try to address this pervasive problem, and in an interview, we asked Yin to rate them on a scale of 1 to 10.

Yin said many of the policies go after different points of what he calls the medical debt pipeline — from when a patient gets care they can't afford, all the way to the impacts that debt has on their life.

"They're not necessarily substitutes that we necessarily have to compare against each other," Yin said. "They are all potentially good complements to each other."

This interview has been lightly edited for length and clarity.

Tradeoffs: Let's start with the more than 20 states that have laws requiring hospitals to offer free care to poor patients or limiting certain collection tactics.

Yin: For this one, I think it's a two. It's not out of lack of effort or good intentions. It's just that a lot of states really aren't clear about how much is required in financial assistance. It's also really difficult to enforce. So I'm going to give it a two.

Tradeoffs: Now, what about these two policies from the Biden administration? First, the administration is going to take medical debt out of consideration when deciding whether to give someone a loan, like for a small business or a house.

Yin: [This] is like a doctor treating a disease that's already there. It's not preventative. But we know that when people have debt, it affects their credit scores, it affects their abilities to get loans, it raises their interest rates. So if [this] is implemented well, that really limits the negative impact that medical debt has on people's abilities to get federal loans. So that's a good thing. I'm going to give that a six.

Tradeoffs: OK, let's talk about the second Biden policy: They plan to use data on hospital debt collection practices to decide which facilities get federal grant dollars.

Yin: That's the big wild card for me. All the devils are in the implementation details. If they don't really enforce using this for potential grantmaking to those hospitals, then it might not have a lot of power there. But at the very least having the federal government get more data on debt collections practices, the amount of debt that's held by hospitals, really has the potential for some big changes down the road. So I'm going to give that a six also, but I'm going to give that a slight edge just for its potential.

Tradeoffs: Right, and the more information you have, the easier it is to ultimately craft policies that are responsive to the problem.

Yin: Exactly.

Tradeoffs: OK. So let's move on to Congress, which banned surprise out-of-network medical bills through the No Surprises Act.

Yin: I'm of two minds about this one. [Surprise medical bills are] not a really big source of medical debt, but it really is one of the more galling sources of medical debt. Emergency department spending is about one-tenth of all hospital spending, and the surprise billing addresses just a small part of the emergency department billing. And so this gets rid of that, which I think is great, but it doesn't solve a bigger source of the problem. So let's give it a five overall.

Tradeoffs: OK, we've got one more for you to rank, Wes. Starting next year in 2023, the three biggest credit reporting agencies say that they're going to remove unpaid medical debts under

$500 from people's credit reports. That could be as much as 70 percent of medical debt currently on credit reports.

Yin: I'm really bullish on this one as well. Having medical debt can impact someone's credit score, which affects their interest rates and ability to borrow. It may even affect employment decisions and rental decisions. So anything that we can do to dampen the negative effects of having medical debt is a good thing. So I'm going to give this one a six.

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