

WHAT STATES CAN DO TO HELP CONSUMERS

Medical Debt

Medical debt harms tens of millions of consumers, with Kaiser Family Foundation reporting that **41% of adults** have medical debt; specifically, **14 million adults owe over \$1,000**, and **3 million owe over \$10,000** in unpaid medical bills.

15 million consumers have medical debt on the credit reports, totaling \$49 billion. Additionally, **consumers borrowed \$74 billion to pay medical bills** in 2024, despite having some form of health insurance.

Medical debt disproportionately impacts **Black adults**, **patients in Southern states**, and people with **chronic illnesses or disabilities**.

State Reforms to Protect Consumers

This document focuses on ways that states can protect consumers from medical debt in addition to expanding access to insurance and what is covered by insurance. The first group of recommendations focuses on strengthening requirements for Financial Assistance Policies (FAPs) beyond the limited federal mandates that now apply only to non-profit hospitals. The second set of solutions focuses on protections for consumers with medical debts in collection.



59% of bankruptcy filers believe that **medical debt contributed to their bankruptcy**.

Strengthening Financial Assistance Policies

CONSUMER PROBLEMS

STATE SOLUTIONS

Low income consumers cannot access healthcare.

Require FAPs to provide free care to consumers at or below 300% of the Federal Poverty Level.

Middle income consumers cannot access healthcare.

Require FAPs to provide discounted care between 301% and 600% of the Federal Poverty Level.

Consumers who should qualify for aid are falling into debt.

Require health care providers to screen for FAP eligibility and provide notice of programs in all billing and collection communications.

Patients fall into debt because they received care from a for-profit hospital or a health care provider not required to have a FAP.

Expand FAP coverage beyond non-profits to a broad range of health care providers including for-profit hospitals.

Insured consumers are falling into medical debt because they are underinsured.

Require FAPs to cover insured patients as well as uninsured patients.

Healthcare providers and their debt collectors violate laws related to FAPs.

Give consumers the right to enforce state and federal laws about FAPs in court.

CONSUMER PROBLEMS

STATE SOLUTIONS

Consumers find an in-network hospital but get large surprise bills from out-of-network doctors within the hospital.

Require that any services provided inside an in-network hospital are eligible for the hospital's FAP.

Strengthening Medical Debt Collection Protections

CONSUMER PROBLEMS

STATE SOLUTIONS

Patients, in a fight for their lives, also face the loss of their homes.

Prohibit debt collectors and hospitals from obtaining or threatening to obtain a lien or foreclose on a patient's primary residence based on a medical debt.

Consumers and their families are pushed into poverty due to medical debt.

Prohibit lawsuits to collect medical debt if a consumer is eligible for FAP; prohibit wage garnishment, bank account seizure, tax refund seizure, or civil arrests.

Patients are billed for claims that insurance companies should pay.

Prohibit collection of medical debt and charging of interest while health insurance appeals are underway.

Patients want to pay their debts, but the amount owed balloons due to high interest

Limit the interest rate that can be charged on medical debts to 2% per year; prohibit interest on medical debts owed by FAP-eligible patients.

Medical debt is unique because people do not plan to get sick or injured. It harms patients' credit scores although it's not a good measure of creditworthiness.

Prohibit medical debts from appearing in credit reports; prohibit lenders and others from considering medical debts.

Consumers who qualify for discounted care may still struggle to pay the balance.

Require healthcare providers to allow FAP-eligible consumers to use payment plans, and to provide a written copy of the terms of any payment plan.

For more on how to reform medical debt laws see the National Consumer Law Center's: [Model Medical Debt Protection Act](#); [What States Can Do: Medical Credit Cards and Other Medical Lending Products](#); [What States Can Do: Medical Debt Credit Reporting](#).

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