

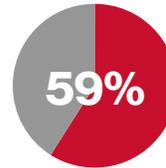


National  
Consumer Law  
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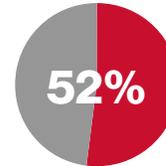
# What States Can Do to Help Consumers Medical Debt



Medical debt harms tens of millions of consumers, with nearly [1 in 6 Americans](#) contacted by a debt collector over a healthcare bill, and [21% of residents in mainly nonwhite zip codes](#) with at least one medical debt in collection on their credit reports.



59% of bankruptcy filers believe that medical debt was a contributor to their bankruptcy.



52% of collection items on credit reports are for medical debts.

## 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.

### Strengthening Financial Assistance Policies

#### CONSUMER PROBLEMS

#### STATE LEGISLATIVE SOLUTIONS

Low income consumers cannot access healthcare.



Require FAPs to provide free care to consumers below 200% of the Federal Poverty Level.

Middle income consumers cannot access healthcare.



Require FAPs to provide discounted care between 200% 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 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.

# What States Can Do to Help Consumers: Medical Debt

## Strengthening Medical Debt Collection Protections

### CONSUMER PROBLEMS

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

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

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

Patients are billed for claims that insurance companies should pay.

Patients want to pay their debts but are sinking into more debt every day despite their sacrifices.

Medical debts are reported to credit bureaus before insurance determinations are made.

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

### STATE LEGISLATIVE SOLUTIONS

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

Prohibit foreclosure on a home based on a medical debt lien, or execution of the lien until the home is sold.

Prohibit lawsuits to collect medical debt if a consumer is eligible for free or discounted care, and prohibit wage garnishment or arrests for medical debt if a consumer is eligible.

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

Limit the interest rate that can be charged on medical debts to no more than 5% per year.

Prohibit credit reporting on medical debts for at least 1 year.

Require health care 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](#) and [Medical Debt Fact Sheet](#)

**To speak to an expert on medical debt reform, contact:**

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