



Black Families Likely to See Steep Rise in Medical Debt

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Medical debt harms tens of millions of consumers, particularly Black families, affecting their financial well-being, mental health, and willingness to seek necessary care.¹ Longstanding structural inequities in access to housing, employment, health care, and health insurance make Black families more likely to incur medical debt. In one study 48 percent of Black adults report having medical debt, compared to 40 percent of Hispanic adults and 34 percent of white adults. Medical debt deepens those existing racial disparities by reducing household wealth, threatening housing stability, worsening health outcomes, and creating a self-reinforcing cycle in which poor health leads to debt and debt leads to poorer health among Black people. Recent cuts to Medicaid are likely to decrease access to health care, increase medical debt nationwide, and intensify racial disparities in medical debt.

The 2025 Reconciliation Act will:

- Cut approximately \$1 trillion from Medicaid;
- Leave approximately 15 million people without health insurance; and
- Increase medical debt by an estimated 15 percent.²

1. Structural Causes of Racial Disparities in Medical Debt

Discrimination in Housing

Residential segregation limits access to quality housing and community resources in predominantly Black and Latino/Hispanic neighborhoods. Lack of quality housing and community resources directly affect people's health. As a result of these disparities:

- Predominantly Black communities experience higher rates of chronic disease, adverse birth outcomes, and a lower life expectancy.³
- Historically, redlining and urban renewal policies shaped segregated neighborhoods and led to disparities in community resources, income, and wealth.⁴
- This segregation reinforced disparities in access to health care, quality of care, and other environmental factors that worsen health outcomes.⁵
- As a result of these economic and health disparities, Black people are more likely to incur large medical expenses that become unmanageable.

Overall, residents of many predominantly Black neighborhoods are more than twice as likely as those in predominantly white neighborhoods to have medical debt.⁶

“If segregation is less apparent in medical offices today, its legacy lives on in crushing medical debt that disproportionately burdens [the] Black community.”⁷

Disparities in Employment

Black and Latino/Hispanic workers are more likely to work in industries that have lower rates of employer-sponsored health insurance, such as agriculture, personal services, retail, and construction.⁸ When compared to their white counterparts, Black workers in particular are 70 percent more likely to be employed in jobs without employer-sponsored health insurance.⁹

Lack of access to employer-sponsored health insurance increases health care costs for individuals and families. Adults with individual market coverage are nearly twice as likely as those with employer-sponsored coverage to report that the costs their families pay for health insurance premiums increased significantly in the previous 12 months.¹⁰

This contributes to medical debt by:

- Increasing reliance on expensive private insurance or the likelihood of being uninsured;
- Exposing workers to higher out-of-pocket medical costs.¹¹

Collectively, these factors increase exposure to out-of-pocket medical costs and make it more likely that injuries in hazardous jobs will result in unaffordable medical bills.

Disparities in Access to Health Insurance

Health insurance provides one of the strongest protections against medical debt. Although the Affordable Care Act’s (ACA) Medicaid expansion reduced health care coverage disparities,¹⁰ states have not adopted the expansion, predominantly in the South. Lack of Medicaid expansion therefore predictably disproportionately affects low-income Black adults, who make up a significant portion of the population in the South and particularly the population lacking coverage.¹² Within the non-expansion states, people of color make up 49 percent of the adult population, but 60 percent of adults within the coverage gap.¹³

Only 17 percent of adults living in predominantly white communities in Knox County [Tennessee] had medical debt in collections reported in their credit records, compared with about 40 percent of residents in communities of color.¹⁴

2. Medical Debt Worsens Existing Racial Disparities

The accumulation and collection of medical debt disproportionately affects Black households.¹⁵ For example, 23 percent of Black adults reported having a medical debt in collection, compared to 17 percent of Hispanic adults and 13 percent of white adults.¹⁶ This accumulation and collection of medical debt limits families' economic mobility, undermines housing stability, and contributes to poorer health outcomes. Because Black adults are more likely to have medical debt in collection, they are more vulnerable to the financial and legal consequences of medical debt collection practices. Collection practices can damage credit, result in lawsuits, and even lead providers to deny future non-emergency care, while the stress of debt collection itself can harm mental health.¹⁷

Household Wealth and Economic Mobility

Medical debt makes it more difficult for families to build wealth. More than half of Black adults and Hispanic adults report that their families have difficulty affording health care, compared with 41 percent of white adults and 28 percent of Asian adults.¹⁸ Because Black families are less likely to have generational wealth to absorb unexpected medical expenses, the impacts of these expenses are particularly severe.¹⁹

- Among households with medical debt, half report using all or most of their savings to pay medical bills.²⁰
- Lower credit scores resulting from unpaid medical debt limit access to mortgages, employment, and affordable credit.²¹
- Those with medical debt are more likely to rely on high-cost borrowing, such as payday loans, to cover the cost of necessities.²²

By depleting savings, lowering credit scores, and increasing reliance on high-cost borrowing, medical debt limits opportunities to build wealth and exacerbates existing racial wealth disparities.

Housing Stability

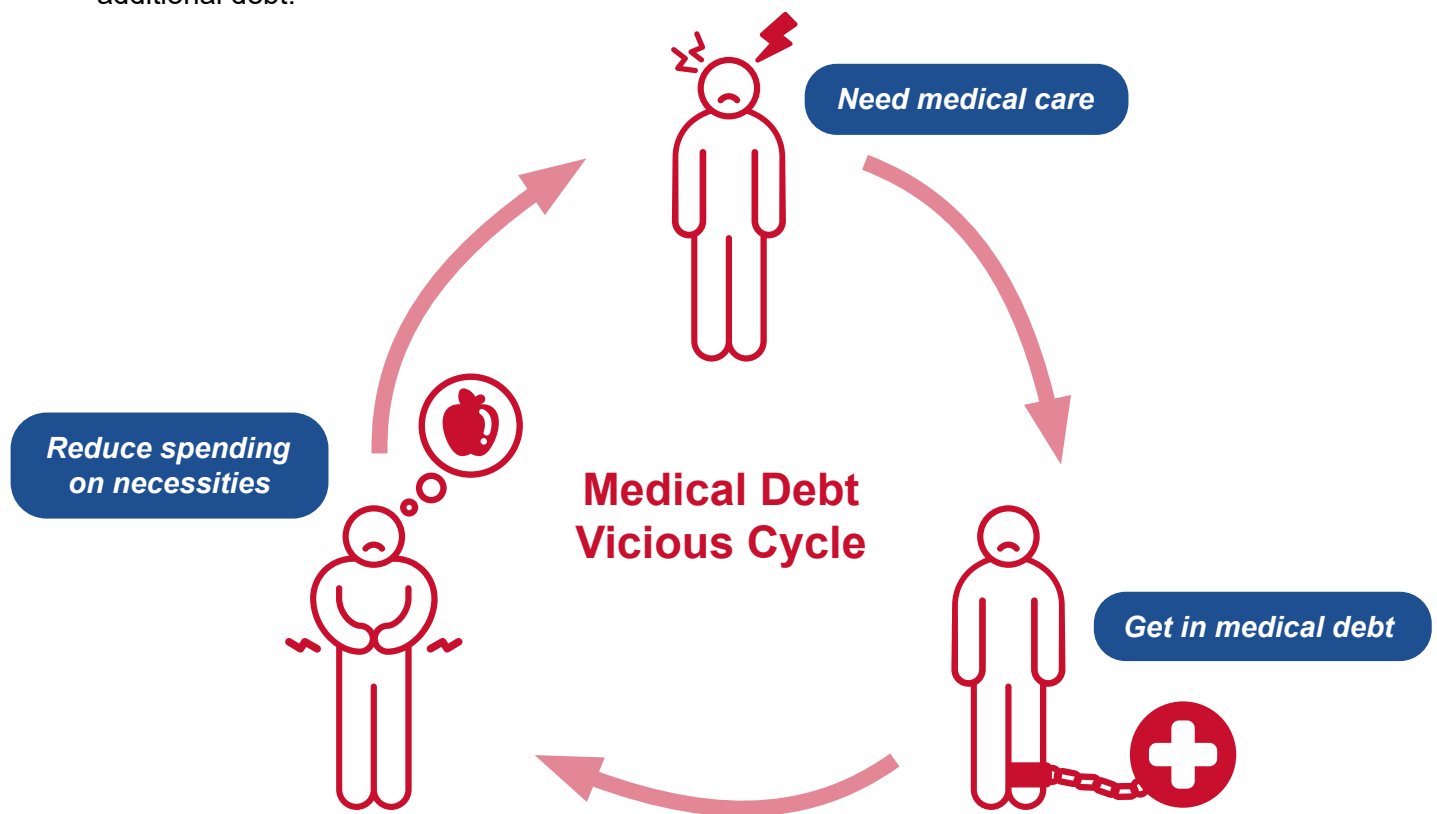
Medical debt makes it more difficult for families to build wealth, which threatens housing stability and contributes to poor health outcomes. Medical debt affects housing stability and sometimes leads to housing loss, ultimately worsening financial insecurity. For example:

- 44 percent of foreclosure judgments involve medical debt.²³
- 1 in 12 people with medical debt report that it contributed to foreclosure or eviction.²⁴
- 1 in 5 people with medical debt report moving in with family or changing their living arrangements because of their medical debt.²⁵

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3. Medical Debt Contributes to Poor Health Outcomes

Existing racial disparities in health contribute to higher rates of disease and disability among Black adults, making them more likely to incur medical debt.²⁶ In short, medical debt creates a cycle in which financial hardships cause worse health outcomes and poor health leads to additional debt.



This cycle is reinforced because:

- 30 percent of those with medical debt delay or avoid seeking necessary care.²⁷
- 60 percent of those with any medical debt, and 70 percent of those with more than \$2,500 in medical debt, reduce their spending on necessities like clothing and food.²⁸

Delaying care, in particular, can worsen existing health conditions.²⁹ Together, these consequences create a cycle of poor health and financial instability that deepens existing racial disparities.

Conclusion

Because medical debt is so disproportionately imposed on Black people, it deepens racial disparities by limiting wealth-building opportunities, destabilizing housing, and worsening health outcomes, all of which disproportionately burden Black households. Further research should identify the most severe disparities to inform policy solutions and lead to targeted reforms.

Further Resources

- [The Racial Health and Wealth Gap: Impact of Medical Debt on Black Families](#) | NCLC
- [Medical Debt Practice Suite](#) | NCLC Digital Library
- [What States Can Do to Help Consumers: Medical Debt](#) | NCLC
- [Model Medical Debt Protection Act](#) | NCLC

Many thanks to NCLC intern, Kristin Meader, for her contributions to this issue brief. **To speak to an expert on the racialized impacts of medical debt, contact: Berneta L. Haynes (bhaynes@nclc.org).**

Endnotes

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