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Medical debt: What it means for patients and providers

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The Buzz this Week

23 million Americans currently share a combined medical debt of approximately \$195 billion. Medical debt is widespread but impacts certain communities more significantly than others. 16% of Black patients have medical debt, compared to only 9% of white patients. Aggressive medical debt collection practices, like lawsuits and civil arrests, can also be more damaging for Black patients. Medical debt has permeated credit reports and restricted patient access to things like mortgages and small business loans, despite evidence that suggests people with medical debt pay their bills at the same rate as people without medical debt. The real and perceived financial burden of healthcare also has serious implications for health—including prompting individuals to delay or forgo care.

While this medical debt crisis is not new, it is garnering a significant amount of ongoing attention as myriad players seek pathways to reduce the negative financial and health consequences for consumers. Recently, legislation has been introduced to address the debt problem, including:

- The No Surprises Act went into effect in January and was finalized in August. It is intended to protect patients from out-of-network charges they unknowingly incur, often due to unanticipated and unavoidable medical crises. To protect patients, insurers and providers that fail to agree on rates engage in an arbitration process, in which a mediator determines reimbursement. After several rounds of litigation, the bill was adapted to include qualifying payment amount (QPA) and additional relevant factors unique to the providers and services. However, if not implemented appropriately, there are likely significant ramifications for health systems and providers, as well as potential continued financial strain for patients. Of the 46,000 disputes submitted since April 2022, only 1,200 have been decided. Mediators do not currently have enough resources to keep up, and there is still uncertainty surrounding the regulations in place.

- Additional legislation was introduced in April, following an executive order from President Biden. Under these new requirements, the Department of Health and Human Services (HHS) will collect data from 2,000 providers on hospital financials, including medical bill collection practices, lawsuits, debt buying practices, and more, to be considered as part of grantmaking decisions and policy recommendations. They will also share potential violations with relevant enforcement agencies.

A new Consumer Financial Protection Bureau (CFPD) crackdown instituted investigations into credit reporting companies and debt collectors that violate patients' rights. The CFPD is also seeking to determine whether unpaid medical bills should be included in credit reports. Notably, some reporting agencies have already removed billions of dollars of debt from reports.

Why It Matters

The increased attention on consumer debt in some cases has revealed business practices that have created meaningful financial and access challenges for the patients and communities that these same health systems and providers aim to serve and support. The reasons are varied and complex, not least of which is that these providers exist within a system that is hard to understand and even harder to navigate. Still, as health systems seek solutions to help consumers navigate this complexity, they may still find themselves challenged to operationalize a holistic set of solutions. And for some, the scrutiny on health systems and the business practices within them has fundamentally eroded patients' trust.

Most immediately, the evolving guidance creates some very near-term demands on health systems seeking to comply. Health systems must be supported by a strong foundation comprised of robust technology, well-organized staff, and efficient processes in order to:

- Provide training and education to staff to help ensure their organization maintains compliance with the requirements of the No Surprises Act, and financial and operational results are not disrupted.
- Ensure that patients are appropriately prepared—not just clinically, but financially—by providing a good faith estimate for the cost of services to patients who are uninsured, non-covered, or self-pay.
- Set up mechanisms to measure and monitor new processes to identify when patients who are insured are out-of-network and how to appropriately bill for their services.

Beyond meeting the requirements of any specific measure, health systems will be well served to consider a more strategic approach to how they deliver an improved financial experience for consumers and patients:

- **Evaluate operations across the organization.** Healthcare leaders should take a close look at the way their organization is operating across the revenue cycle, including patient billing, financial assistance policies, and charity care, to name a few. They should also shape an approach to inform and educate patients early on regarding their financial options, so they are empowered with clear information that defines expectations, educates on financial responsibilities, and guides them through all available payment and assistance options throughout their entire patient-driven experience.

- **Invest in strengthening and aligning their provider networks as well as payer relationships.**

Healthcare leaders should understand where they are exposed related to out-of-network services that introduce surprise billing issues, which ultimately create challenges both for patients and for their organizational reputation.

- **Be in the room with patients and community leaders to shape solutions and create and cultivate relationships that strengthen community trust.** Healthcare leaders should listen to patient needs and work toward solutions, particularly regarding financial communication in which patients feel especially vulnerable. Health systems that have already been under public scrutiny can do the work to rebuild trust where it has been lost.

Finally, healthcare leaders should be ready for the conversation. If a health system hasn't yet received a call from a reporter about a challenging patient financial situation, there's a good chance that call will come. By doing the above work, health systems can mitigate reputational risk—while doing right by their patients and communities.

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