



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

April 11, 2022

Dear Colleague,

Too many families across the country are saddled with crushing medical debt. This debt often forces families into making untenable decisions, between paying off the debt and purchasing life-saving medications or putting food on the table. The Biden-Harris Administration is committed to making health care more affordable and accessible to Americans, including by advancing policies that help reduce the burden of medical debt on households.

Medical debt is widespread in the United States. Studies indicate that 1 in 5 households owe more than \$250 in unpaid medical bills, and that nationally medical debt totals between \$88 billion and \$195 billion in medical debt.^{1,2} The Consumer Financial Protection Bureau (CFPB) found that medical debt is the most common type of debt on credit records.³ Not only is medical debt the most common type of debt on credit reports, it is also the largest source of debt in collections—surpassing debt in collections from credit cards, utilities, auto loans, and other sources combined. Americans with lower incomes, poorer health, and from communities of color have higher rates of medical debt. More than two-thirds of debtors cite medical issues as contributing to their bankruptcy.⁴

That is why last week, President Biden issued an Executive Order 14070 on Continuing to Strengthen Americans' Access to Affordable, Quality Health Coverage.⁵ The Executive Order directs the Department of Health and Human Services (Department) to examine policies and practices that help reduce the burden of medical debt on households, including by exploring how medical debts are collected from beneficiaries in our federal programs. This effort is meant to provide transparency on practices nationwide and will help inform policy options and approaches for reducing the burden of medical debt on working families and individuals across the country.

Our health care systems and providers are the gatekeepers for people seeking care. As such, they also play an important role helping address the affordability and accessibility of health care, including by setting the cost of care and establishing collection practices. Many have statutory responsibilities to provide financial assistance to patients in need, and some have bans on the

¹ Consumer Financial Protection Bureau, “CFPB Estimates \$88 Billion in Medical Bills on Credit Reports,” March 1, 2022 <https://www.consumerfinance.gov/about-us/newsroom/cfpb-estimates-88-billion-in-medical-bills-on-credit-reports/>

² Rae, Matthew. et al (2022).

³ CFPB (2022).

⁴ David U. Himmelstein, Robert M. Lawless, Deborah Thorne, Pamela Foohey, and Steffie Woolhandler, 2019: Medical Bankruptcy: Still Common Despite the Affordable Care Act *American Journal of Public Health* 109, 431, 433, <https://doi.org/10.2105/AJPH.2018.304901>.

⁵ 87 FR 20689, <https://www.federalregister.gov/documents/2022/04/08/2022-07716/continuing-to-strengthen-americans-access-to-affordable-quality-health-coverage>.

practice of balance billing patients. That is why I am reaching out to you today, to alert you to this issue, and encourage you to work with us in this effort.

Health insurance coverage also plays a critical role in giving families peace of mind that they will go to the doctor's office and get the care they need without going bankrupt. People who experienced more than six months uninsured in a year were more likely to report medical debt (13%) than those with six or fewer months uninsured in a year (9%). The Department has prioritized working to expand access to quality, affordable coverage, and will continue this work across our programs and services. Medicare coverage for example is associated with lower medical debt, with the mean amount of medical collections per year falling by 56 percent following Medicare eligibility. Further, Medicaid coverage decreases the probability of having an unpaid medical bill sent to a collection agency by 25 percent. The Medicaid expansion provisions in the Affordable Care Act were specifically found to be associated with reduced medical debt.

The passage and implementation of the bipartisan law the No Surprises Act, provides an important protection for patients as it restricts surprise billing for those in job-based and individual health plans who get emergency care, non-emergency care from out-of-network providers at in-network facilities, and air ambulance services from out-of-network providers. Many of you have worked with us in implementing this important law, and this work continues to help ease the burdens of medical debt. As we continue forward, we will explore additional transparency and consumer protection measures to support this effort and find other opportunities to reduce the burdens of patient debt.

Medical debt is a barrier to economic mobility for working families across the country and both exacerbates and contributes to existing disparities in health care by race, health, status, and income.

- National survey data show that Black adults report higher rates of medical debt (16%) than the overall population (9%).⁶
- Those self-reporting fair (21%) or poor (17%) health have higher rates of medical debt than those with excellent (5%) or very good (7%) health.⁷
- Lower incomes are associated with higher rates of medical debt. For instance, households with incomes less than 200% of the federal poverty level (FPL) are 3 times more likely (12%) to have medical debt than those with incomes above 600% of FPL (4%).
- In addition, an analysis of credit bureau data show that communities of color⁸ had higher shares with medical debt in collections (17%) than white communities (13%) and a

⁶ *Ibid.*

⁷ *Ibid.*

⁸ The study defines communities of color as zip codes where at least 60 percent of the population is African American, Hispanic, Asian or Pacific Islander, American Indian or Alaska Native, another race other than white, or multiracial.

higher median amount of debt in collections (\$854 vs \$758) among individuals with any medical debt in collections in 2020.⁹

The Biden-Harris Administration is committed to addressing this issue across the federal government. The Department will be taking steps to collect information on debt collection practices and encourages you to work with us in this effort. Specifically, we will convene listening sessions with providers, consumers, and other partners to help confront this issue, and seek data as part of its standards and conditions for federal grants. I have also directed the Department to explore and use every tool at its disposal to help reduce the burden of medical debt on consumers and patients.

We are also hoping that you will join us at the table and work to come up with proactive solutions to address the disparities created by medical debt. We share a goal of working to help families access more affordable health care and look forward to working with you on this important endeavor.

Sincerely,

/s/

Xavier Becerra

⁹ Karpman, Michael. Racial Inequities in Medical Debt. Presentation. December 9, 2021. <https://www.gih.org/wp-content/uploads/2021/11/Michael-Karpman-Urban-Institute-Presentation.pdf>.

Braga, Breno. et al. Debt in America: An Interactive Map. Urban Institute. March 31, 2021. https://apps.urban.org/features/debt-interactive-map/?type=medical&variable=perc_debt_med.