

What's Crazy About Medical Debt?

By Michael Fine

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So there are now a number of programs and great organizations that buy up and retire medical debt. Which is kind of a cool idea.

It turns out that 20 million Americans, or 15 percent of American households, have some medical debt over \$250, that Americans owe at least \$220 billion to health care clinicians and organizations. 14 million people owe more than \$1000, and about 3 million people owe more than \$10,000. Not surprisingly, people in worse health, people living with disabilities, lower income people and people without health insurance are most likely to have medical debt, adding insult to the injury of poverty, poor health and being disabled. About two thirds of all personal bankruptcy is caused by medical debt – causing about 530,000 bankruptcies a year in the US.

The good news, sort of, is that a number of great organizations and agencies are buying up and retiring that debt, to the tune of more than \$14 billion dollars. An organization called Undue Medical Debt raises charitable funds, for example, and then uses that money to buy medical debt for pennies on the dollar.

How does that work? It's actually pretty simple. Once a medical bill is more than 120 days past due, the hospital or clinician knows from past experience that it is unlikely to be collected. Some of these organizations and clinicians turn the debt over to collections agencies, to hound the debtors into paying. Others just carry the bad debt on their books, and try to squeeze the debtors when they have a new medical problem and present for treatment. Still others just keep the debt on their books, hoping to get paid eventually. All that means is that for the people who are owed the debt, something is better than nothing, so they will often take a few cents on the dollar to satisfy a larger debt. That allows organizations like Undue Medical Debt to buy the debt for very little money and get the health care clinicians and organizations that are owed money off the backs of the debtors, who need one more thing to worry about like a hole in the head. Some cities and even states found a way to use American Rescue Plan Funds to buy this debt and relieve the burden of worry from thousands of people who have few good options.

Nobody notices, of course, that most of the organizations that are owed money are hospitals, and most of those are 501c3 charitable organizations that were built with donated money. Nobody notices that these organizations shouldn't be pursuing people --the old, the sick and the poor they cared for in the first place. Getting rid of medical debt is a good thing, right?

Wrong. Or, sure, as far as it goes. It is better than the alternative. In public health we call this harm reduction, an approach we use when we can't or think we can't fix a problem, so do whatever we can to limit the harm that problem causes.

But. But. But. But. I keep hearing amazing stories from friends and colleagues who travel to Europe, and are injured or get sick, and have to go to the hospital. The stories are always the same. "I fell off a bicycle in Italy, got a compound fracture of one leg, spent three days in the hospital and got discharged without a bill." Or, "I got pneumonia in Germany. Six days in the hospital, which was clean and amazingly efficient. Got a bill for \$200." Etcetera, etcetera and so on. Somehow, the Europeans have figured this out. But we haven't a clue.

What's crazy about using public money and charitable donations to buy out medical debt isn't that it is happening. That it is happening is a good thing. What's crazy is that it should never be necessary, that millions of people are impacted by medical debt and that so called charitable organizations, exempt from paying taxes on their revenues because they are charities, have people accrue debt for accidents and injuries that occur through no fault of their own. There should be no medical debt, because no one should be charged for health care. Period. What's crazy is that we'd let medical debts accrue at all.

The Old Testament is clear on this issue. "Do not profit by the blood of your fellow," it says, in Leviticus 19:16, a three-thousand-plus year-old injunction. It's crazy that we were told, but that we just aren't listening.