Forgive and Forget: The Impact of Medical Debt Forgiveness on Financial Outcomes in the United States

Researchers:

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Sector(s): Finance, Health

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Location: United States of America (Multiple Locations)

Sample: 216,049 individuals with medical debt in collections

Target group: Adults

Outcome of interest: Earnings and income Credit balance/repayment

Intervention type: Credit

AEA RCT registration number: AEARCTR-0003332

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Research Papers: The Effects of Medical Debt Relief: Evidence from Two Randomized Experiments

Partner organization(s): Undue Medical Debt

Medical debt may be a large burden for many Americans, yet it is unclear the extent to which medical debt affects people's well-being. In this randomized evaluation, researchers evaluated the impact of a medical debt relief program (that buys and relieves a portion of individuals' medical debt) on measures of mental and physical health, health care utilization, and financial well-being—including financial distress, credit score, debt balances, and repayment behavior. Individuals randomized to receive debt relief did not see improvements in the health and financial outcomes measured compared to those in the comparison group. The results of this evaluation affirm that medical debt relief alone does not address the harms associated with high health care costs in the United States.

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Nearly 41 percent of American adults have medical or dental debt, and outstanding medical debt in collections totals more than $140 billion, more than all non-medical debt in collections combined.[1], [2], There are multiple drivers of medical debt in the United States including a large uninsured population, high health care costs, and inadequate health insurance plans that provide few benefits and high levels of cost-sharing. Uninsured, low-income, Black, and Latino/a households are disproportionately burdened by medical debt.[1]

Historically, debt collectors have reported medical debt to credit bureaus, lowering credit scores and access to loans for individuals with medical debt. However, there has been a recent decline in reporting by debt collectors, and credit bureaus have

also stopped including medical debt on credit reports if it is less than $500, less than one year old, or has already been paid.

In this changing policy landscape, it is difficult to assess the causal impacts of medical debt on people’s wellbeing, as medical debt is accompanied by health problems and often income losses.

سياق التقييم

Medical debt relief —the process in which an organization buys and relieves medical debt—is one option for policymakers, hospitals, and other non-governmental organizations to address medical debt burdens.

Undue Medical Debt (formerly RIP Medical Debt) is a tax-exempt charity that typically works with donors, such as private foundations, to purchase debt from debt collectors and, increasingly, directly from hospitals. In this model, debt relief is considered a gift, does not count as income, and is therefore not taxable.

This evaluation studied Undue's model of medical debt relief from 2018-2020. The evaluation involved those with hospital debt and those with collector debt. On average individuals in the hospital debt component of the evaluation had $1,352 in debt that was approximately 15 months old and individuals in the collector debt component of the evaluation had $2,169 in debt that was approximately 6 years old.

Overdue
Misc
Medical Bills
PAST DUE

A folder full of overdue medical bills.

Photo: Shutterstock.

معلومات تفصيلية عن التدخل

In partnership with Undue Medical Debt, researchers conducted a randomized evaluation to study the impact of medical debt relief on measures of mental and physical health, health care utilization, and financial well-being—including financial distress, credit score, debt balances, and repayment behavior. Those randomized to be in the intervention group received medical debt relief (in addition to letters informing them that a portion of their debt had been relieved) while those in the comparison group received no debt relief.

The hospital debt component of the evaluation addressed more recent debt by purchasing and relieving debt between 2018-2020 at the stage where hospitals would usually sell debt to collectors. The intervention group (14,377 people) received an average of $1,321 in debt relief while the comparison group (61,496 people) received no debt relief.

The collector debt component of the evaluation addressed older debt by purchasing and relieving debt in 2018 that was under collection in the secondary market. The intervention group (69,024 people) received an average of $2,167 in debt relief while the comparison group (68,014 people) received no debt relief.

A random subset of the hospital debt intervention group was also informed they received debt relief through phone calls from RIP staff in order to test how awareness impacted the effects of debt relief.

About 70 percent of the study participants had medical debt other than the debt that was relieved (about $3,000 on average). About half of the study participants had non-medical debts in collections.

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Individuals randomized to receive debt relief did not see improvements in the health and financial outcomes measured relative to those in the comparison group.

Debt relief did not impact credit report-measured debt, credit scores, access to credit, debt in collections, or other outcomes measured on credit reports. During the time of this evaluation, the debt collector RIP worked with (along with many others in the industry) stopped reporting medical debt to credit bureaus. For the subset of individuals who received the debt relief intervention before reporting to bureaus stopped, there was a small increase in credit scores (3.6 points from a baseline of 571—a 0.6 percent increase) and credit limits ($348 respectively from a baseline of $1,966—a 17.7 percent increase) compared to individuals who did not receive debt relief.

Debt relief led to a modest and statistically significant increase of $14 (7.2 percent increase relative to comparison group average of $199) in medical bill non-payment. This increase was mainly driven by lower repayment of bills incurred for medical services received before debt relief rather than changes in health care utilization.

Debt relief did not impact physical and mental health or health care utilization on average. Certain subgroups—individuals with larger amounts of debt eligible for relief and individuals made aware of their debt relief—scored lower on mental health assessments (9.3 percentage point increase in depression for individuals in the top quartile of medical debt eligible for relief relative to a comparison group average of 28.3 percent—a 32.9 percent increase).

The results of this evaluation affirm that medical debt relief alone does not address the harms associated with high health care costs in the United States. As medical debt remains a persistent problem in the United States, these results provide the foundation for ongoing evaluation and iteration to better understand how medical debt relief fits within the context of other interventions to address high health care costs.

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1. Lopes, Lunna, Audrey Kearney, Alex Montero, Liz Hamel, and Mollyann Brodie, “Health Care Debt in the US: The Broad Consequences of Medical and Dental Bills,” 2022. Kaiser Family Foundation, June 16, 2022. https://www.kff.org/health-costs/report/kff-health-care-debt-survey/.

2. Kluender, Raymond, Neale Mahoney, Francis Wong, and Wesley Yin. 2021. “Medical Debt in the US, 2009-2020.” JAMA 326 (3): 250–56. https://doi.org/10.1001/jama.2021.8694.