

Medical Debt, Medical Bankruptcy and the Impact on Patients

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Unpredictable and Involuntary: The Unique Nature of Medical Debt

Each year millions of Americans lose their health, their homes, their good credit standing and their hard-won futures. And each year, this happens because bankruptcy laws fail to recognize the unique nature of medical debt.

Medical debt is both unpredictable and involuntary. Unlike a mortgage, a car payment or credit card debt, a patient can rarely plan for sickness or any required medical treatment. According to numerous credit evaluators and other private organizations, medical bills have a disproportionate error rate and consumers' bills are often reported to credit reporting agencies in error.¹ Nonetheless, a medical bill that has been completely paid off can negatively affect a patient's credit score for up to seven years, even absent any initial late payment or other error.

For millions of Americans, the problem goes beyond one late payment. Medical expenses are contributing factors in over 62 percent of individual (as opposed to business) bankruptcy filings, and the number of bankruptcy filings identifying medical debt as a significant factor is increasing.² A recent study surveyed patients to determine their cause of bankruptcy and found that when asked about problems that contributed very much or somewhat to their bankruptcy, 41.8 percent specifically identified a health problem, 54.9 percent cited medical or drug costs, and 37.8 percent blamed income loss due to illness. Overall, 68.8 percent cited at least one of these medical causes. An additional 6.8 percent of respondents had recently borrowed money to pay medical bills.³

Medical expenses contribute to 62% of bankruptcy cases in the United States, while one out of every five American families will struggle to pay a medical debt this year.

¹ Silver-Greenberg, J. (2013, October 13). "Patients Mired in Costly Credit from Doctors." *The New York Times*, p. A1.

² David U. Himmelstein, MD, Deborah Thorne, PhD, Elizabeth Warren, JD, Steffie Woolhandler, MD, MPH. "Medical Bankruptcy in the United States, 2007: Results of a National Study." *American Journal of Medicine*, 2009. http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf.

³ *Ibid.*

The major drivers of medical debt are, of course, the cost of health care and the system in which it functions.⁴ According to the Congressional Budget Office, national health expenditures in 2011 were about \$2.7 trillion, of which private insurance financed about one-third.⁵ In 2012, combined federal spending on Medicare, Medicaid and CHIP totaled \$811 billion⁶, leaving about one trillion in out-of-pocket costs to the American public.

For the first time in our nation's history, the average cost of health care for the typical American family of four exceeds \$22,000.⁷ To put this figure in perspective, the latest census revealed that in 2013, the median household income in the United States was \$51,017.⁸ Furthermore, in the same year, the median outpatient charge in the emergency department for the ten most common conditions was \$1233, which is 40% more than the average American pays in rent each month (\$871).⁹

Not only are medical costs in the United States disproportionately high, they are also unpredictable. One NIH-sponsored study showed an enormous variability in emergency room charges: for instance, the charge for a sprain ranged from \$4 to \$24,110.¹⁰ These prices, which combine both the patient and insurer's costs, showcase the extreme fluctuation and unpredictability that is symptomatic of the American health care system as a whole. While this paper is not intended to delve into the reasons for this fluctuation, it is important to acknowledge that variation and unpredictability exist and have an extreme, adverse effect on those the system is purportedly designed to serve: patients.

Medical debt can have sudden, disastrous effects on patients and their families. Even insured patients and family members can accrue tens of thousands of dollars in medical debt when illness strikes; to the uninsured, the tremendous debt burden can be catastrophic. The financial and psychological strain medical debt causes cannot be overstated. When surveyed, many Americans expressed greater concern about the debt that can result from their diagnosis than the risk of death from their diagnosis.¹¹

⁴ *Ibid.*

⁵ Congressional Budget Office. *Private Health Insurance*. Retrieved from <http://www.cbo.gov/topics/health-care/private-health-insurance/cost-estimates>

⁶ Congressional Budget Office, *Medicare*, Retrieved from <http://www.cbo.gov/topics/health-care/medicare>

⁷ Milliman. (2013). *2013 Milliman Medical Index*. Retrieved from: <http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/pdfs/mmi-2013.pdf>

Figure represents the average healthcare costs for the typical American family of four covered by an employer-sponsored preferred provider plan (PPO).

⁸ Sherman, A., Trisi, D. & Broaddus, M. (2013, September 20). *Census Data Show Poverty and Inequality Remained High in 2012 and Median Income Was Stagnant, But Fewer Americans Were Uninsured*. Retrieved from <http://www.cbpp.org/cms/index.cfm?fa=view&id=4022>

⁹ Caldwell N, Srebotnjak T, Wang T, & Hsia R. (2013). *How Much Will I Get Charged for This? Patient Charges for Top Ten Diagnoses in the Emergency Department*. PLoS ONE 8(2): e55491. Retrieved from <http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0055491>

¹⁰ *Ibid.*

¹¹ Sun Life Financial. (2013). *Well-placed fears: workers' perceptions of critical illness*. Retrieved from: <http://sunlife.mkt5013.com/critical-illness-whitepaper-brokers/critical-illness-whitepaper-brokers-pr>

The Magnitude of the Problem

Medical debt is a large and widespread problem in the United States, affecting both the insured and uninsured. In a recent report based on data from the National Health Information Survey¹², researchers found that more than one in five Americans under age 65 were in families that were having problems paying medical bills.¹³ This statistic, grim as it may be, represents a decrease from 2011, from 21.7 percent to 20.3 percent, or a difference of about 3.6 million people.

Not surprisingly, the report found that low-income individuals had the hardest time affording their medical bills. Among persons under age 65, those who were low-income were nearly twice more likely than those who were not low-income to be in families having problems paying medical bills or to have medical bills they were completely unable to pay.¹⁴ Unsurprisingly, and most likely related, the lack of health insurance coverage plays a significant role in debt: while 14 percent of those who had private coverage struggled with medical bills between 2011-2012, over 25 percent of those with public coverage and over 36 percent of those who were uninsured experienced trouble with their medical bills.¹⁵

Other studies report similar figures.¹⁶ The Kaiser Family Foundation estimates that one in three Americans report having difficulty paying their bills, meaning that they “have had problems affording medical bills within the past year, or they are gradually paying past bills over time, or they have bills they can’t afford to pay at all.”¹⁷ The Commonwealth Fund found that in 2012, more than two out of five adults (41%) ages 19-64, or 75 million people, reported problems paying their medical bills or said they were paying off medical debt over time. Contrary, however, to reports of a decreasing number of uninsured, this study found that the number of uninsured was statistically unchanged between 2010 and 2012. Researchers speculate that although coverage had increased for young adults, there was no correlating improvement for older age groups, and in fact at times a deterioration of coverage.¹⁸

Because of medical bills or accumulated medical debt, an estimated 28 million adults reported having exhausted their savings, 21 million incurred large credit card debt, and another 21 million were unable

¹² The National Health Information Survey is the principal source of information on the health of the civilian non-institutionalized population of the United States and is one of the major data collection programs of the National Center for Health Statistics, which is part of the Centers for Disease Control and Prevention (CDC). It is a continuous survey and special study to secure accurate and current statistical information on the amount, distribution and effects of illness and disability in the United States.

¹³ Cohen RA, Kirzinger WK, Gindi RM. Problems paying medical bills: Early release of estimates from the National Health Interview Survey, January 2011-2012. National Center for Health Statistics. 2013. Available from: <http://www.cdc.gov/nchs/nhis/releases.html>.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ See: LaMontagne, C. (2013, June 19). “NerdWallet Health finds Medical Bankruptcy accounts for majority of personal bankruptcies.” Available at: <http://www.nerdwallet.com/blog/health/2013/06/19/nerdwallet-health-study-estimates-56-million-americans-65-struggle-medical-bills-2013/>

¹⁷ Pollitz, K., Cox, C., Lucia, K., & Keith, K. Kaiser Family Foundation. (January 2014). *Medical Debt Among People with Health Insurance*. Retrieved from <http://kff.org/private-insurance/report/medical-debt-among-people-with-health-insurance/>

¹⁸ Collins, S.R., Robertson, R., Garber, T. & Doty, M.M. The Commonwealth Fund. (April 2013). *Insuring the Future: Current Trends in Health Coverage and the Effects of Implementing the Affordable Care Act*. Retrieved from http://www.commonwealthfund.org/~media/Files/Publications/Fund%20Report/2013/Apr/1681_Collins_insuring_future_bienial_survey_2012_FINAL.pdf.

to pay for basic necessities. Sixty-one percent of those with medical debt were insured at the time care was provided.¹⁹ Because of the need for credit, an increasing number of providers have started to issue credit directly, often through a special medical credit card arranged quickly through the provider's office. High annual interest rates and severe penalties for missed payments often worsen patients' financial situation when they are in dire need of a safety net. Attorneys general in several states have filed lawsuits claiming that these providers have misled patients about the financial terms of the cards, employed high-pressure sales tactics, overcharged for treatments and billed for unauthorized work.²⁰ In New York, CareCredit, one of the largest issuers of these lines of credit, recently reached a settlement that may result in refunds or credits of up to \$2 million to approximately 1,000 patients whose claims were initially rejected. The settlement also requires significant new protections for consumers.²¹

Of course, all these financial issues ultimately affect patients' access to quality care. Even when patients do not need to declare bankruptcy, they often cut corners in their own health care to maintain financial viability. For instance, CDC data show that adults will try numerous methods to lower their prescription drug costs, including not taking a prescribed medicine. Specifically, 23.1 percent of uninsured adults had skipped their prescribed medicines, along with 13.6 percent of those with Medicaid coverage and 8.7 percent of those with private insurance.²²

Furthermore, not all medical debt is created equal. While some positive steps have been taken—for instance, medical debt can no longer affect a consumer's credit score if it totals less than \$100—medical debt can have a profound effect on a credit score, with even one small missed bill dropping a score 100-150 points.²³ In total, roughly 32 million Americans report a lower credit rating as a result of unpaid medical bills.²⁴ Even worse, an estimated 20 percent of all medical bills that are reported to collection are the result of a billing or other administrative error²⁵, affecting the credit of about 7 million Americans²⁶. Yet it is very difficult to remove these errors from a credit report. A bill can go to collections even as the patient tries to set up a payment plan with a provider or insurance company.²⁷ This credit information can stay on a consumer's credit report for up to seven years, lowering his or her credit score and dramatically affecting the ability to open a new loan or raising the offered interest rate, and potentially costing thousands of dollars.

While it is still too early to fully speculate on the impact of the Affordable Care Act (ACA), it is imperative

¹⁹ The Commonwealth Fund, "Seeing Red – The Growing Burden of Medical Bills and Debt faced by U.S. families",

²⁰ Silver-Greenberg, J. (2013, October 13). "Patients Mired in Costly Credit from Doctors." *The New York Times*, p. A1.

²¹ New York State Office of the Attorney General. (2013). A.G. Schneiderman Announces Agreement with GE Capital Retail Bank And CareCredit LLC, Stopping High-pressure Tactics in Health Credit Card Sales To Consumers. [Press release.] Retrieved from <http://www.ag.ny.gov/press-release/ag-schneiderman-announces-agreement-ge-capital-retail-bank-and-carecredit-llc-stopping>

²² Cohen RA, Kirzinger WK, Gindi RM. Strategies used by adults to reduce their prescription drug costs. NCHS data brief, no 119. Hyattsville, MD: National Center for Health Statistics. 2013.

²³ Ulzheimer, J. (2012 June 25). How Medical Bill Debt Impacts Your Credit Score. *Mint Life*. Retrieved from <http://www.mint.com/blog/credit/how-medical-bill-debt-impacts-your-credit-score-062012/>

²⁴ Collins et al. *Insuring the Future*, April 2013.

²⁵ Herron, J. How will unpaid medical bills hurt credit? *Bankrate*. Retrieved from <http://www.bankrate.com/finance/credit/will-unpaid-medical-bills-hurt-credit.aspx>

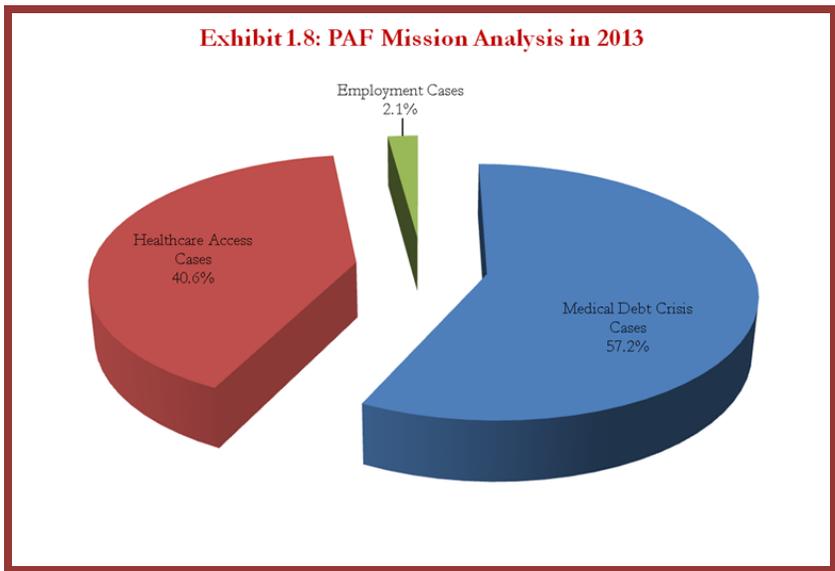
²⁶ Collins et al. *Insuring the Future*, April 2013.

²⁷ Walecia, K. (2010, December 17). Protecting Your Credit Score From the Medical Bill Maze. *The New York Times*, B7. Retrieved from <http://www.nytimes.com/2010/12/18/health/18patient.html>

to track these trends over the course of its implementation and in the early years when the law is fully in effect. These numbers, while representing millions of Americans who are uninsured or underinsured and who struggle with medical-related debt, do point to a consistent down-trend in these problems. Subsidized premiums, cost-sharing limits and other protections under the ACA are intended to ensure that individuals will be protected from the extremes of medical debt. However, as noted in the case of medical credit cards, not only did the ACA not address all issues, it also did not anticipate new ones that might arise.

Medical Debt and Medical Expense-Related Bankruptcy from PAF’s Perspective

Combating medical debt is central to the mission of National Patient Advocate Foundation (NPAF) and Patient Advocate Foundation (PAF). PAF, a national 501(c)(3) non-profit service organization and NPAF’s companion organization, provides professional, sustained case management assistance to patients with chronic, debilitating or life-threatening diseases. Patient experiences are annually quantified in the PAF *Patient Data Analysis Report (PDAR)*, which illustrates the data collected across 260 variables by PAF case managers.



As noted in PAF’s most recent PDAR, medical debt is the organization’s largest mission category (see Figure 1). Medical debt affects all patient populations, regardless of age, insurance status and or ethnicity. Medical debt includes issues related to debt crisis / cost of living, medical and pharmaceutical co-payment assistance, uninsured/unpaid medical bills and disability issues. In 2013, over 57 percent of PAF patients reported debt crisis due to direct medical expenses as their primary health care access issue; over 67 percent of PAF patients are insured.²⁸

Disability accounted for 11.9 percent of medical debt crisis issues reported by PAF patients in 2013. More than one-quarter of all PAF case management patients received disability benefits, and this population continues to grow. The various disability issues reported by PAF patients emphasize the ongoing obstacles faced by the nation’s most vulnerable population (see Figure 2).

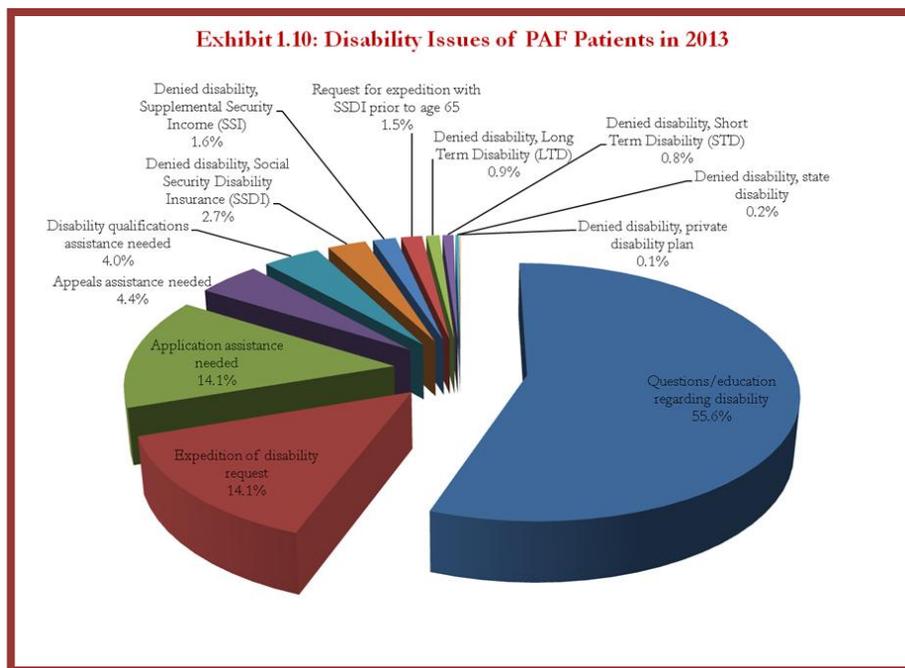
Patients must wait 24 months to be deemed “disabled” by the Social Security Administration (SSA) and Medicare²⁹, and PAF case managers suggest that even those individuals who should be receiving

²⁸ Patient Advocate Foundation, Patient Data Analysis Report, 2014.

²⁹ Social Security Administration. *Medicare Information*. Retrieved from <http://www.ssa.gov/disabilityresearch/wi/medicare.htm>

disability benefits face difficulty accessing them. Disabled patients have reported losing their Medicaid coverage when their disability payments raise their income above certain state Medicaid thresholds, thus rendering them uninsured. This suggests that two major safeguards on which disabled patients rely can counteract each other, leaving the patient with unmet health care access and/or financial needs.³⁰

When a patient is diagnosed with a chronic, debilitating and life-threatening disease, his or her ability to work can quickly become compromised. The ability to afford food, rent/mortgage, utilities, and transportation immediately becomes



threatened as patients become increasingly ill and are forced to reduce their hours or to quit work entirely. In addition, PAF case managers report that patient caregivers and spouses also see an increased strain on employment, as they are forced to devote more time to their loved ones.

Medical Debt Relief Is Increasingly Harder to Obtain

Across all categories of debt, PAF case managers were able to transfer \$48,215,993.57 in medical debt relief directly to patients in 2013.³¹ However, it is becoming increasingly difficult for case managers to locate available assistance. PAF case managers report a litany of new obstacles when attempting to seek relief on behalf of patients. For instance, case managers have observed a shift in patient eligibility for charity care. They report that some medical facilities refuse to negotiate medical debt write-offs with any patient who has insurance. This situation is disastrous to the under-insured patient population, as almost 66 percent of patients who reached out to PAF for assistance in 2012 had insurance but remained under-insured for specific needed services and medications.³²

PAF case managers also find that some hospitals and providers accept only large payment arrangement plans or fixed payment plans divided by a set number of months (e.g., requiring patients to pay within

³⁰ *Ibid.*

³¹ *Ibid.*

³² *Ibid.*

12 months), which many patients still cannot afford. Over 63 percent of 2012 PAF patients reported an annual household income of less than \$23,000 a year.³³

Unfortunately, despite the fact that many patients are willing to make payment arrangements, many patients' bills are sent to collections. Providers then require these patients to pay for new services upfront, augmenting the problem and rendering care inaccessible.

Policy Solutions

Medical expense-related debt is not defined or given any specialized treatment in the United States Bankruptcy Code.³⁴ Therefore, it is not possible for a patient today to file for "medical expense-related" bankruptcy. Absent extraordinary circumstances, creditors filing claims for medical expense-related debt under 11 U.S.C. § 502 are classified as unsecured creditors. No relevant distinction is made between debt arising from medical expenses and other general unsecured debt, such as credit card debt³⁵. It is imperative that America's health care system include protections for patients against medical debt crisis and medical expense-related bankruptcy.

One of the problems inherent in providing a special classification for medical bankruptcy, of course, is

Medical expense-related debt is not defined or given any specialized treatment in the United States Bankruptcy Code.

that debt rarely happens in isolation. PAF patients who face a large and sudden medical bill may place it on a credit card, which only aggravates the problem because of high interest rates that accrue from one month to the next. In particularly bad situations—for instance, the type that lead to bankruptcy—the patients' credit card debt will lead to missed mortgage or a car payments, and they resort to filing for Chapter 7 or Chapter 13 bankruptcy

relief, depending on their income and debt level. So while medical debt is considered unsecured (meaning that there is no asset that may be seized in connection to the debt), it can trigger an avalanche of unpaid bills, causing patients to declare bankruptcy, thereby putting items securing other debt such as their home, car and other assets at risk.

There have been past legislative efforts to directly address medical debt and medical expense-related bankruptcy, but none have been successful. Earlier this year, the Medical Bankruptcy Fairness Act of 2014 was introduced in the Senate by Senator Sheldon Whitehouse (D-RI), and in the House by Congresswoman Carol Shea-Porter (D-NH). This legislation would amend Title 11 of the United States

³³ *Ibid.*

³⁴ Some types of debtors or debts may be treated distinctly in bankruptcy, including, for example: stockbroker liquidations (11 U.S.C. §§ 741–753), commodity broker liquidations (11 U.S.C. §§ 761–767), clearing bank liquidations (11 U.S.C. §§ 781–784), municipalities (11 U.S.C. §§ 901–946), small businesses (various, including 11 U.S.C. §§ 101(51C)), railroads (11 U.S.C. §§ 1161–1174), and family farmers and fishermen (11 U.S.C. §§ 1201–1231). At present, there is no distinction for debt arising from medical expenses.

³⁵ The Bankruptcy Code (at section 507) provides for priority of creditors in a bankruptcy case, creating distinctions among certain types of unsecured creditors. For example, credit card debt, medical bills and child support are all unsecured debt, but the Bankruptcy Code's priority scheme provides for child support to have a higher priority (and be paid ahead of) credit card and medical debt. Other types of unsecured debt, such as student loan debt, are distinguished by being non-dischargeable under section 523.

Code “to provide protection for medical debt homeowners, to restore bankruptcy protections for individuals experiencing economic distress as caregivers to ill or disabled family members, and to exempt from means-testing debtors whose financial problems were caused by serious medical problems.”³⁶

In 2012, 41.3 percent of the patients who contacted PAF for assistance involving benefits caps had exhausted their annual maximum benefit.

Congresswoman Maxine Waters (D-CA), Ranking Member of the House Financial Services Committee, introduced the Medical Debt Responsibility Act of 2013, which would prohibit a consumer reporting agency from making any report containing information related to a fully paid or settled medical debt for which the date of payment or settlement precedes the report by more than 45 days.³⁷

Another bill addressing medical debt and credit issues, the Accuracy in Reporting Medical Debt Act, has been introduced in three consecutive Congresses and would work in tandem with the goals of the Medical Debt Responsibility Act. Introduced by Rep. Gary Miller (R-CA) and co-sponsored by Rep. Carolyn McCarthy (D-NY), the bill would allow patients a 120-day grace period to deal with debt collectors who contact them seeking payment on delinquent medical debt. If patients can provide proof to the collector that they are either contesting the debt, working with a provider or insurance company to resolve the account or have applied for financial assistance, the collection agency is barred from reporting the debt to the three major credit reporting firms for 120 days.³⁸

When the ACA was signed into law and the Supreme Court of the United States subsequently upheld the constitutionality of the individual mandate, millions of previously uninsured Americans were given a new pathway to access quality, affordable health insurance coverage. The ACA also includes important coverage provisions designed to safeguard Americans from medical debt crisis and medical expense-related bankruptcy, such as the elimination of annual and lifetime limits on most benefits and caps on out-of-pocket spending.³⁹ These key provisions, many of which have been implemented in 2014, should assist patients who are at risk of experiencing a medical debt crisis that could threaten their ability to access care and could result in medical expense-related bankruptcy.

With other bills failing to gain traction, there is hope that these ACA provisions are beginning to help patients burdened with medical debt. For instance, the ACA eliminates annual and lifetime limits on essential health benefits (EHB) coverage, which is broadly defined in ten categories: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and

³⁶ Medical Bankruptcy Fairness Act, H.R. 901, 111th Congress (2009). Retrieved from <http://www.gpo.gov/fdsys/pkg/BILLS-111hr901ih/pdf/BILLS-111hr901ih.pdf>

³⁷ Accuracy in Reporting Medical Debt Act, H.R. 2211, 113th Cong. (2013). Retrieved from <http://www.gpo.gov/fdsys/pkg/BILLS-113hr2211ih/pdf/BILLS-113hr2211ih.pdf>

³⁸ Medical Debt Responsibility Act of 2013, H.R. 1767, 113th Cong. (2013). Retrieved from <http://www.gpo.gov/fdsys/pkg/BILLS-113hr1767ih/pdf/BILLS-113hr1767ih.pdf>

³⁹ Patient Protection and Affordable Care Act, PL 111-148 § 1501 (2010). Retrieved from <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>

habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services, including oral and vision care.⁴⁰ Prior to enactment, about 20,000 insured Americans reached the lifetime limits of their coverage each year.⁴¹ Plans beginning on or after September 23, 2010 can no longer cap policyholders' EHB benefits when a lifetime maximum is reached. By 2015, the ban on annual EHB benefits will also be fully enacted. With the elimination of these caps, patients who previously would have reached their annual or lifetime cap will avoid paying for the full cost of their treatment and many can be expected to avoid debt or bankruptcy when receiving treatment for covered services which were not previously subject to annual or lifetime limits.

Unfortunately, the number of patients contacting PAF who had exhausted their annual maximum benefit increased from 2012 to 2013 by 55 percent. In 2013, 44.4 percent of the patients who contacted PAF for assistance involving benefit maximums had exhausted their annual maximum benefit. Furthermore, the proportion of patients who reported exceeding the maximum annual pharmacy benefit increased significantly from 8.3 percent to 17.2 percent. However, the number of patients who reached their lifetime maximum benefit continues to decrease, with only 2.4 percent of patients reporting this issue. This number in particular shows a marked improvement from the years prior to ACA enactment, when over 13 percent of patients reached their lifetime maximum.⁴²

Another provision in the ACA designed to deter medical debt is the cap on out-of-pocket health care spending. Beginning this year, an out-of-pocket cap is applied to plans offered in health insurance exchanges, determined by a sliding scale based on income.⁴³ Families with incomes between 100 percent and 400 percent of the federal poverty level and who purchase coverage through the exchanges will receive premium tax credits.⁴⁴ Capping an individual's total annual cost-sharing obligation is vital, because as costs rise, plans pass an increasing share of costs onto patients through premiums, co-pays and other cost-sharing mechanisms. For instance, many insurance plans have moved medications like biologics, which do not have generic equivalents, to specialty tiers, which require patients to pay a percentage of the actual costs of the drugs (i.e. co-insurance) rather than a fixed co-payment. This co-insurance can cost patients thousands of dollars per treatment. In 2013, nearly two-thirds (63.5 percent) of patients who contacted PAF for assistance reported an annual household income of less than \$23,000 a year.⁴⁵ Patients who rely on drugs placed in specialty tiers simply cannot afford these out-of-pocket costs.

Clearly, although the many of the safeguards in the ACA should help patients avoid medical debt crisis and the need to file for bankruptcy, there are still many patients whose medical care will not be covered by insurance, and whose existing expenses are still not addressed and require further reform.

⁴⁰ Patient Protection and Affordable Care Act, PL 111-148 § 1501 (2010).

⁴¹ Abelson, R. (2011, February). Awaiting Health Law's Prognosis. *The New York Times*, B1.

⁴² Patient Advocate Foundation, Patient Data Analysis Report, 2012.

⁴³ Families USA Foundation, "Worry Less, Spend Less: Out-of-Pocket Spending Caps Protect America's Families." February, 2011.

⁴⁴ Kaiser Family Foundation, "Explaining Health Care Reform: Questions about Health Insurance Exchanges." Available at www.kff.org/healthreform/7908.cfm.

⁴⁵ Patient Advocate Foundation, Patient Data Analysis Report, 2012, page 10.

NPAF's Commitment to Reducing Medical Debt and Medical Expense-Related Bankruptcy

With the implementation of many ACA patient-centric insurance reforms, NPAF remains cautiously optimistic that many patients will be protected from acquiring massive medical debt as the elimination of annual and lifetime caps on coverage and out-of-pocket caps goes into effect. However, challenges remain; patients are increasingly forced to pay high co-insurance amounts on life-saving therapies as the number of health plans with these requirements grows, and some medications and treatments are not included in insurance plan formularies. Unfortunately, for patients who have already acquired medical debt and may have filed for bankruptcy relief, these upcoming protections will do little to alleviate their financial and psychological strain. NPAF will continue to advocate for medical expense-related bankruptcy protections for patients.

The legislation mentioned above seeks to appropriately address the unique and unpredictable nature of medical debt, and its passage is critically important in order to provide protections for those patients already overwhelmed with medical debt as well as for future patients. We need a reformed system with the following patient-centric features:

- Promotes price transparency – so that providers and patients can clearly know what medical services and products cost, whether they are covered and patients' cost-sharing requirements;
- Delineates patient, provider and payer responsibility – so that all parties know how best to access the right treatment protocols and obtain optimal reimbursement;
- Provides homeowner protections – so that patients and their families do not lose their homes simply because a family member becomes gravely ill;
- Protects family members and other caregivers – so that a patient's misfortune does not ravage an entire family financially; and
- Provides fairness and equity in credit rating – so that the credit worthiness of patients and their families are not inappropriately harmed and that medical debt is recognized as unique among other types of debt.

A devastating illness to a patient or a loved one should never result in the financial ruin of an entire family.

I would like to express my thanks to Patient Advocate Foundation's Co-Pay Relief Program for the wonderful treatment I received. My husband is a retired clergyman, and I am a retired preschool teacher. The insurance plan we had chosen reflected the fact that I did not take many prescription drugs at the time of enrollment. The brain tumor took us by surprise and changed many things in our lives. The dreaded "donut hole" reared its ugly head and we began what was to be quite a financial crisis. I found that when I called the Co-Pay Relief Program for the first time, I certainly was not prepared for the reception I received from this foundation. After dealing with the government and my insurance companies for many days, it was a welcome change in attitude. I was

thrilled to hear of the possibility of some relief for our situation. I received special care and personal attention. I cannot say enough about PAF and the work that is being done. I just want to thank you for all you do to ease the burdens.

- PAF patient from Richfield, Minnesota