Medical Debt Burdens Millions of US Adults

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Despite the fact that more than 90% of the US population has some form of health insurance, about 23 million US adults—nearly 1 in 10—owe medical debt, according to a new analysis from the Kaiser Family Foundation (KFF).

The analysis found that approximately 23 million people, or 9% of US adults, carry medical debt that exceeds $250, and roughly 11 million individuals owe more than $2000. An additional 3 million adults owe more than $10,000.

Collectively, the survey findings suggest, medical debt totaled at least $195 billion in 2019.

The analysis uses data from the 2020 Survey of Income and Program Participation, a nationally representative survey that asks every adult in a household whether they owed money for medical bills in 2019 and how much they owed. It includes people with medical debt that exceeds $250, a threshold the authors define as "significant."

“For people and families with limited assets, even a relatively small unexpected medical expense can be unaffordable," the authors note.

Many households do not have enough savings available to cover the cost of a typical deductible in a private health plan, according to a related KFF analysis. It found that nearly one-third of single-person households with private insurance in 2019 could not pay a $2000 medical bill, and about half could not pay a $6000 bill.

Medical debt can also mount over time, especially for individuals who need a significant level of care, such as people living with cancer.

Private health insurance typically requires high deductibles, coinsurance, and copays for medical care and prescription drugs, which can lead to medical debt. People who experience a serious injury or illness can owe thousands of dollars out-of-pocket in the form of deductibles and other cost-sharing expenses; those with a chronic illness may incur smaller copays and other cost-sharing expenses that accumulate over time to significant medical debt.

Medical debt may also arise from denied claims and for out-of-network care that is not covered by a patient’s insurance plan.

“People with medical debt report cutting spending on food, clothing, and other household items, spending down their savings to pay for medical bills, borrowing money from friends or family members, or taking on additional debts,” the researchers note.

The authors note that their estimated collective burden of medical debt for US adults of at least $195 billion is significantly higher than other commonly cited figures that generally use credit report data, which may not identify medical debts charged to credit cards or included in other debts rather than being directly owed to clinicians or medical facilities.

“Our analysis suggests that the total amount of medical debt is likely much larger than the already large amount of medical debt reflected on credit reports,” they wrote.

Certain groups shoulder a disproportionate burden of medical debt, the study found. As a group, women are more likely to carry medical debt compared with men (11% vs 8%), which, the authors explain, is likely related in part to childbirth expenses and an average lower income among women.

Middle-aged adults are more likely than young adults to use more health services and have higher health care expenses and to have significant medical debt as a result. About 8% of adults aged 18 to 34 years have medical debt, compared with 11% to 12% of adults aged 35 to 64 years.

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However, the share of adults with significant medical debt decreases when people become eligible for Medicare, at age 65. Only 6% of adults aged 65 to 79 years carry medical debt. In addition, larger shares of people in poor health (21%) and people living with disabilities (15%) are likely to carry significant medical debt. “People with complex heath needs that require ongoing care can see medical bills pile up over time,” the report says, noting that these individuals may also experience unemployment or loss of income that adds to the challenge of keeping up with medical expenses.

Among racial and ethnic groups in the US, Black adults are the most likely to be affected by medical debt. About 16% of Black adults report having significant medical debt, compared with 9% of Hispanic adults, 9% of White adults, and 4% of Asian adults.

The analysis also cited geographic differences in medical debt, finding that people who live in rural areas, in the South, and in states that did not opt for Medicaid expansion are more likely to have significant medical debt.

The effects of the COVID-19 pandemic and resulting recession on medical debt are not yet clear, the authors note. In total, out-of-pocket health spending in the US decreased by about 4% from 2019 to 2020. Although many people lost jobs and income early in the pandemic, which could have caused problems with affording medical care, many delayed care or went without it. There was also a small shift from employer-based coverage to Medicaid, which has little or no cost-sharing.

One recent change that could affect medical debt is the No Surprises Act, which took effect on January 1. This law bans “surprise medical bills” for out-of-network care in most cases. However, the authors of the KFF report point out that surprise bills are only a fraction of the hefty and unexpected medical bills many US adults face. “The fact that medical debt is a struggle even among households with health insurance and middle incomes indicates that simply expanding coverage will not erase the financial burden caused by high cost-sharing amounts and high prices for medical services and prescription drugs,” they said.

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