Medical Debt in LA County
Baseline Report and Action Plan
June 2023
Executive Summary

Medical debt is a critical public health issue in Los Angeles (LA) County, with approximately one in ten adults, or around 810,000 residents, impacted and over $2.6 billion in outstanding medical debt as of 2021, based on a new analysis by the Los Angeles County Department of Public Health (Public Health). Medical debt disproportionately affects families with children; lower-income; Latino, Black, and American Indian/Alaskan Native, Native Hawaiian/Pacific Islander, and multiracial adults; and those with chronic health conditions, raising concerns related to poverty, racism, and health equity.

Health insurance is crucial for preventing medical debt, but increased coverage alone is insufficient to tackle this issue. Despite the growth in coverage through health exchanges and Medi-Cal expansions, medical debt prevalence remained relatively unchanged between 2017 and 2021. Furthermore, having insurance does not necessarily protect those in worse health from medical debt burden, and people with private insurance or Medi-Cal are twice as likely to have medical debt as those with Medicare.

Medical debt undermines the social conditions necessary for improving public health. It contributes to food insecurity and housing instability. It also may discourage those in debt from seeking essential medical care and prescription medications. COVID-19 increases the risk of medical debt, and the ending of public health emergency protections implemented during the pandemic may further exacerbate the burden of medical debt.

To address this complex challenge, Public Health has established a diverse coalition of medical debt stakeholders, including consumers, nonprofit organizations, policy experts, and healthcare leaders. This group has provided Public Health with key recommendations for appropriate County-level action. Continued collaboration is essential to effectively tackle the medical debt crisis in LA County.
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Medical debt in the U.S. is a pervasive burden, causing financial, mental, and physical harm to individuals and families. Approximately $88 billion in medical debt was recorded just through consumer credit records as of June 2021, although this figure does not include personal credit card debt and informal loans. A Kaiser Family Foundation survey revealed that medical debt affected over 100 million American adults and amounted to roughly $195 billion in 2019.

Medical debt is involuntary and can arise suddenly. It occurs when a patient is unable to pay for services from a healthcare provider (e.g., medical provider’s office, urgent care, hospital, paramedic/ambulance, dentist’s office). People who use emergency department services or have hospital overnight stays are particularly vulnerable to medical debt. Even a relatively small amount of debt, such as $500, can cause significant burden and stress for lower-income individuals.

Insured patients may also face burdensome medical debt due to high out-of-pocket expenses, including deductibles, copays, and procedure exclusions. When insurance plans do not cover these costs and patients do not seek, are not informed of, or are not eligible for financial assistance programs (e.g., charity care), they must find additional sources of funds to pay off the debt. This often leads to high-interest credit card debt fueled in part by a new industry of medical credit cards, loans from friends and family, and other forms of borrowing. Failure to pay medical bills may result in depleted personal savings or bankruptcy, creating a damaging cycle of financial decline that is difficult to overcome.

Medical debt disproportionately affects certain groups, including Black and Latino adults, young adults, the uninsured or underinsured, and low-income individuals across all races and ethnicities. People with one or more chronic conditions also face a higher risk of debt. The consequences of medical debt are alarming, as medical debt negatively impacts factors that determine future health outcomes, such as housing, employment, food security, and access to prescription medications and healthcare. The mental health harms of medical debt are also concerning, both in the form of stress and in changes in communication with healthcare providers even when access is available.

Recently, the COVID-19 pandemic may have intensified medical debt for the most vulnerable populations. Lost income during COVID-19-related hospitalizations, long-term health consequences (i.e., long COVID), and other pandemic-related income losses could further increase the risk.
of medical debt burden for these individuals. The LA County Department of Public Health (Public Health) analyzed recent data on medical debt in LA County and collaborated with local experts to engage community and healthcare stakeholders to discuss the data and their policy implications. A community forum was convened for local healthcare consumers who have experienced medical debt and representatives from community-based organizations who help people with medical debt. An additional forum for local hospital, clinic association, provider group, and health plan leaders was also convened. Participants at both events provided input on strategies for preventing and alleviating medical debt in order to inform the development of an action plan for LA County.

The purpose of this report is to share baseline data on medical debt burden and its impacts in LA County, along with a set of community-informed recommendations for how we can begin to address this critical issue at the local level. Our aim is to reduce medical debt burden as a step toward the broader goal of improving the health of LA County residents.
Methods

Medical Debt Surveillance in LA County

To better understand medical debt burden among LA County adults, we analyzed county-specific data from the California Health Interview Survey (CHIS). Each year since 2017, CHIS has asked over 4,000 adults aged 18 and older in LA County if they have had problems paying medical bills for themselves or their household in the past 12 months. People who responded yes to this question were considered to be burdened with medical debt. Most of our analyses combined data from 2019 to 2021 (N=13,423).

Respondents reporting medical debt burden were asked to estimate the amount of their medical bills using the following categories: <$1,000; $1,000 to <$2,000; $2,000 to <$4,000; $4,000 to <$8,000; or ≥$8,000. They were also asked if they could not afford basic necessities, such as food, heat, or rent, and if they had to take on credit card debt because of these medical bills. We used 2021 data only (N=4,868) for our analyses of these questions so that our estimates of medical debt burden amounts and associated hardships would be based on the most recent data available. To estimate the total medical debt burden for LA County, we used the midpoint of each dollar amount category ($10,000 was used for the ≥$8,000 category), multiplied the response percentages for each amount category by the proportion of the 2021 LA County adult population who reported having burdensome medical debt.* We then multiplied the resulting numbers of adults by each dollar amount and summed across the categories.

CHIS also includes questions on demographics and health-related characteristics and behaviors, which we used to estimate sub-populations most affected by medical debt burden. These characteristics included gender, age group, race / ethnicity, education level, household income relative to the federal poverty level, self-reported health status, type of health insurance, and emergency room visits and hospital stays in the past 12 months.

The term social determinants of health is used to describe characteristics of our daily lives that, according to decades of research, have profound impacts on our health. To examine the relationship between medical debt burden and social determinants of health, we used CHIS data on food insecurity, housing instability, and problems accessing healthcare and prescriptions. Starting in 2020, CHIS included questions related to the COVID-19 pandemic. In separate analyses of the combined 2020 and 2021 datasets (N=9,182), we examined the relationship between self-reported

* We used 2021 population estimates from Hedderson Demographics.
Community forum participants included healthcare consumers who have experienced medical debt and representatives from community-based organizations that help clients manage medical debt. Public Health staff trained as facilitators led small group discussions focusing on three topics: preventing medical debt, improving patient financial assistance, and managing existing medical debt. Discussion groups were divided between consumers and organizational representatives, with questions tailored for each group. Notes from the discussions were analyzed to identify key strategy-related themes. Population-oriented strategies within local government control were incorporated into the action plan. A separate meeting was held with local healthcare leaders to discuss similar questions on preventing and managing medical debt. Participants were provided with meeting materials and talking points to facilitate further discussions within their organizations. Additional feedback received after the meeting was also incorporated into the action plan recommendations.

COVID-19 illness and medical debt burden. We calculated the estimated percentages of adults with medical debt burden for each demographic and health-related characteristics of interest, along with 95% confidence intervals for each estimate, to determine statistically significant differences across groups. We then used logistic regression models to estimate the independent effects of key health-related characteristics on medical debt burden, and of medical debt burden on social determinants of health, after adjusting for demographic and other health-related characteristics of interest. These effects were measured using adjusted odds ratios, which estimate the degree of difference between groups in terms of the likelihood of medical debt burden and the likelihood of a negative social determinants of health (e.g., food insecurity).

Community Engagement

Community forum participants included healthcare consumers who have experienced medical debt and representatives from community-based organizations that help clients manage medical debt. Public Health staff trained as facilitators led small group discussions focusing on three topics: preventing medical debt, improving patient financial assistance, and managing existing medical debt. Discussion groups were divided between consumers and organizational representatives, with questions tailored for each group. Notes from the discussions were analyzed to identify key strategy-related themes. Population-oriented strategies within local government control were incorporated into the action plan. A separate meeting was held with local healthcare leaders to discuss similar questions on preventing and managing medical debt. Participants were provided with meeting materials and talking points to facilitate further discussions within their organizations. Additional feedback received after the meeting was also incorporated into the action plan recommendations.
Results

Medical Debt Surveillance in LA County

Medical Debt Burden and Amount of Debt Owed

Figure 1 - LA County Adults Reporting Burdensome Medical Debt, 2017-2021

The percentages of LA County adults with burdensome medical debt remained virtually unchanged from 2017 to 2021 (Figure 1). While the estimates varied slightly from year to year, the differences across years were not statistically significant. In this figure and those that follow, bars of different colors differ significantly from each other with 95% confidence.

Figure 2 - LA County Adults Reporting Burdensome Medical Debt, 2017-2021

Figure 2 compares the percentage of adults with burdensome medical debt in 2019-21 combined, which is 10.2%, with comparable CHIS data on other health-related problems of concern. During those years, a higher percentage of adults reported being burdened with medical debt than reported having asthma (8.3%) or being a smoker (5.8%). The percentage of adults with type 2 diabetes (11.8%) was similar to the percentage burdened with medical debt.

Figure 2 - LA County Adults with Medical Debt and Other Health-Related Problems

Source: California Health Interview Survey (2017-2021).

Source: California Health Interview Survey (2019-2021, combined).
In 2021, 30.2% of adults burdened with medical debt owed less than $1,000 and 11.3% owed more than $8,000 (Figure 3). Using the data in Figure 3 and applying midpoint amounts to the percentage of LA County adults who reported burdensome medical debt, we estimated the total medical debt burden in 2021 to be greater than $2.6 billion.

Half of adults with medical debt burden reported taking on credit card debt to pay for their medical bills, and 46% reported being unable to pay for basic necessities due to their medical bills (Figure 4). About half of those who took on credit card debt or were unable to pay for necessities owed less than $2,000, suggesting that even relatively small amounts of debt can cause serious hardships for struggling households.

Adults aged 18-29 (9.5%), 30-49 (11.9%), and 50-64 (11.4%) were more likely to face medical debt burden than those aged 65+ (6.4%) (Figure 5).
Households with children (12.6%) were more likely to face medical debt burden than those without (9.2%) (Figure 6).

Half of adults with medical debt burden reported taking on credit card debt to pay for their medical bills.

Latino adults (12.4%), Black adults (11.0%), and American Indian/Alaskan Native, Native Hawaiian/Pacific Islander and multiracial adults (12.7%) were more burdened than white (7.9%) and Asian (5.8%) adults (Figure 7).
Adults in households with incomes below the Federal Poverty Level (FPL) (11.2%), from 100-199% FPL (14.1), and from 200-299% FPL (12.7%), were more burdened by medical debt than those in households with incomes at 300% or more of the FPL (7.7%) (Figure 8). In 2021, 300% of the Federal Poverty Level for a family of 4 was $79,500.

Adults who reported being in good (12.2%), fair (12.8%), or poor (19.4%) health were more burdened than those who reported being in excellent (6.9%) or very good (7.9%) health. Those who reported being in poor health were also more burdened than those who reported being in good health (Figure 10).
Adults with one or more hospital stays in the past 12 months (21.5%) were more than twice as likely to face medical debt burden as those with no hospital stays (9.2%). Those with one or more emergency room (ER) visits in the past year (16.9%) were almost twice as likely to be burdened as those with no ER visits (8.9%) (Figure 11).

Those with Medi-Cal (9.4%) (the public insurance program for low-income individuals), and those with private insurance (8.3%), were more likely to face medical debt burden than those with Medicare (5.7%) (the public insurance program for those aged 65 and over) (Figure 12). Those without health insurance (26.3%) were significantly more likely to be burdened than those with any kind of health insurance.*

Among those with private health insurance, those with a high (>\$1,000) deductible plan (15.2%) were twice as likely to face medical debt burden as those with a low (≤\$1,000) deductible plan (7.2%) (Figure 13).

* Respondents who were uninsured at the time their medical debt was incurred were considered uninsured, regardless of the type of insurance they reported having at the time they completed the survey. The Medicare group includes all those with Medicare, regardless of any additional types of insurance they had. The Medi-Cal group includes a very small number of people (<1%) with other public insurance coverage.
Adjusted effects of self-reported health-related factors on medical debt burden

Compared to adults in excellent health, those in good or fair health were almost twice as likely to be burdened with medical debt, and those in poor health were more than three times as likely to be burdened with medical debt. After accounting for gender, race/ethnicity, age group, household income and insurance type, health status was significantly related to medical debt burden.

Likelihood of Medical Debt Burden from People Seeking Care

- People with 1+ ER visits in the past year are 2x more likely to be burdened by medical debt than those with no ER visits.
- People with 1+ hospital stays in the past year are 2.5x more likely to be burdened by medical debt than those with no hospital stays.

Source: CHIS 2019-21 combined

Figure 14 - Seeking Care

Likelihood of Medical Debt Burden by Insurance Type Compared to People with Medicare

- Medi-Cal: 2x
- Private Insurance: 2x
- No insurance: 7x

Source: CHIS 2019-21 combined

Figure 15 - Medical Debt Burden by Insurance Type

Adults with Medi-Cal or private insurance were twice as likely to be burdened with medical debt as those with Medicare, after accounting for gender, race/ethnicity, household income, health status, and past-year hospital stays. Those with no insurance were seven times more likely to be burdened than those with Medicare (Figure 15).

Relationship Between Medical Debt Burden and Social Determinants of Health

The term social determinants of health is used to describe aspects of our daily lives that, according to decades of research, have profound impacts on our health. These include things like our housing situation, the food we eat, our social connections and our access to healthcare.

Adults who had spent at least one night in the hospital in the past year were over two and a half time times more likely to be burdened with medical debt than those who had no hospital stays, and adults who had at least one emergency room (ER) visit in the past year were almost twice as likely to be burdened as those who had no ER visits (Figure 14), after accounting for gender, race/ethnicity, age group, household income, insurance type and health status.
Adults burdened with medical debt were almost two and a half times as likely to experience food insecurity as those who were not burdened (Figure 16), after adjusting for gender, race/ethnicity, age group, and educational attainment. Those burdened with medical debt were almost three and a half times more likely to be unstably housed than those not burdened, after accounting for gender, race/ethnicity, age group, educational attainment, and household income.

Adults burdened with medical debt were about three times more likely to skip or delay needed healthcare, and were three and a half times more likely to delay or not pick up prescriptions compared to those who were not burdened with medical debt (Figure 16), after accounting for gender, race/ethnicity, age group, and household income.

COVID-19 and Medical Debt Burden

Adults who reported having had COVID-19 (2020-2021 data combined) were 34% more likely to be burdened with medical debt than those who did not, after adjusting for gender, race/ethnicity, age group, household income, health status, insurance status, and past-year hospital stays and emergency room visits.

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Social Determinants of Health

Compared to people with no medical debt burden, people with medical debt burden are

2.5x
More likely to be food insecure

3.0x
More likely to delay or forgo needed healthcare

3.5x
More likely to delay or forgo prescriptions

3.5x
More likely to be unstably unhoused

Source: CHIS 2019-21 combined

Figure 16 - Social Determinants of Health
## Community Engagement

Key themes that emerged from feedback provided through our community and healthcare stakeholder forums are organized by topic area and summarized in the table below.

<table>
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<th>Area</th>
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| Preventing Medical Debt       | • Provide information to the public on medical facilities’ debt collection practices (e.g., patient portion amounts, debt sales, collection lawsuits, post-judgment collection practices like garnishment).  
• Regulate private ambulance costs (e.g., AB 716).‡  
• Facilitate appeals for denied claims and other burdensome practices of insurance companies.  
• Ensure that hospitals conduct required screening of patients for Medi-Cal and other financial assistance eligibility.  
• Improve medical facilities’ price transparency prior to care.                                                                                                                                                                                                                                                                                  |
| Improving Financial Assistance| • Improve financial advocacy and financial counseling at healthcare facilities to help patients to navigate the billing process.  
• Encourage presumptive eligibility for any means-tested benefits as sufficient evidence to qualify.  
• Assist with filing AB 1020 complaints.**  
• Use community-based "trusted messenger" agencies (e.g., CBOs, schools, faith-based organizations) to disseminate financial assistance program and process information, as patients may perceive facility staff to be conflicted or biased.  
• Simplify and standardize financial assistance forms and processes (e.g., clarify poverty line amounts) to help qualified patients apply.  
• Provide a public clearinghouse to health partners for establishing assistance eligibility.  
• Increase transparency of collections and financial assistance data including charity-care spending and community benefit reports.                                                                                                                                                                                                 |
| Managing Medical Debt         | • Incorporate legal aid services and AB 1020 complaint-filing information into LA County’s 211 services telephone line.  
• Do not allow collection lawsuits to proceed without ensuring that options for payment or charity are exhausted and consumers receive notice of the rights and responsibilities of the various parties involved (exemptions, awareness of time barred debt, report unlawful collection practices, etc.).  
• Encourage medical-legal partnerships at medical facility sites.  
• Establish medical debt relief partnerships to retire medical debt.  
• Collect data on hospital policies and practices regarding patient medical debt and subsequent access to care.                                                                                                                                                                                                                   |

‡ AB 716 if passed amends California’s laws on ground ambulance services. It introduces new requirements on rates, insurance coverage, and billing practices.

** AB 1020 amends/expands previous hospital fair billing practices statutes in California. AB 1020 took effect on January 1st, 2022.
Conclusions

Approximately one in every ten LA County adults (around 810,000 residents) is burdened by medical debt. This burden is large, is not improving, and undermines the conditions necessary to support optimal health and well-being in our communities. Medical debt burden disproportionately affects lower-income communities and communities of color and thus represents a critical barrier to achieving health equity and a priority public health problem facing our county.

Health insurance remains critical in preventing medical debt, as those who are uninsured are by far the most likely to be burdened. However, our findings also demonstrate the limitation of relying on increased coverage alone to reduce medical debt. First, medical debt prevalence did not change in the five years between 2017 and 2021 despite increasing coverage through Covered California and Medi-Cal expansions. Second, we found people in poor, fair, and even good health were more likely to struggle with medical debt. This inverse relationship between health status and medical debt burden persists even after accounting for insurance status, meaning that having insurance does not necessarily protect those in worse health from medical debt burden. Finally, people with private insurance or Medi-Cal were twice as likely to face medical debt burden as those with Medicare, even after accounting for demographics, health status and hospital stays. This finding may be due to differences in out-of-pocket costs across insurance types, including deductibles, copays, premiums, or covered services, or the ability to access in-network providers or facilities. Since Medi-Cal serves our most vulnerable residents and has certain restrictions against billing covered patients for in-network care, our finding regarding decreased protection against medical debt for people with Medi-Cal compared to people with Medicare is concerning.

While hundreds of thousands of LA County residents have acquired burdensome medical debt in order to address their healthcare needs, the debt itself is damaging the social conditions necessary to improve their health in the long run. People with medical debt burden, regardless of gender, age, or race/ethnicity, are two to three times more likely to experience food insecurity and housing instability and there is ample evidence of the harmful effects of inadequate housing and nutrition on health. Furthermore, burdensome medical debt increases the likelihood of forgoing necessary medical care and prescriptions more than three-fold, which suggests that our healthcare financing system is harming the health of vulnerable groups who need care from our healthcare delivery system the most. As Public Health seeks
Burdensome medical debt increases the likelihood of forgoing necessary medical care and prescriptions more than three-fold.

prevention first and foremost, we recognize the key role that our healthcare partners can play given the link between an organization’s policies and the accumulation of medical debt.

We also found that individuals who reported having had COVID-19 were more likely to be burdened with medical debt than those who did not. This relationship persisted even after we accounted for all the factors that we found were associated with medical debt, including race/ethnicity, household income, age, health status, and hospital and ER use. Experts in the healthcare field anticipated that the COVID-19 pandemic would exacerbate our medical debt crisis, and our findings provide early evidence that this is already happening. As public health emergency protections end and Medi-Cal redeterminations risk loss of insurance coverage for hundreds of thousands of LA County residents, the imperative to address medical debt is greater than ever.

Public Health has established a diverse coalition of medical debt stakeholders in LA County, including consumers, nonprofit organizations, state government agency leaders, policy experts, and healthcare leaders. Local data on medical debt allows this coalition to understand the issue, offer solutions, and monitor progress for our County. Sustained collaboration will allow us to address the complex challenges posed by medical debt.
Recommendations

Based on our analysis of local data on medical debt burden and input from community and healthcare stakeholders, we recommend the following collaborative actions to reduce medical debt burden in LA County:

1. COLLECT AND SHARE ADDITIONAL DATA RELATED TO MEDICAL DEBT
   Collect, and make public, data on healthcare facilities’ debt collection and financial assistance activities. This will increase transparency for healthcare systems, local government, and community stakeholders and allow for tracking progress.

2. FULLY IMPLEMENT NEW FAIR BILLING AND COLLECTION LAWS
   In partnership with the State, evaluate and enhance the local impact of the Hospital Fair Pricing Act, including recent amendments in AB 1020, which seeks to increase charity care where appropriate, limit the selling of medical debt to debt buyers, require collectors to comply with new guidelines, and improve the dissemination of information about financial assistance.

3. IMPROVE FINANCIAL ASSISTANCE PROGRAMS
   Simplify and clarify applications, invest in navigators to assist patients, improve eligibility assessment and prescreening, and qualify patients for financial assistance early and for a sufficient duration to reduce the burden on healthcare systems and improve patient experience.
INVEST IN MEDICAL DEBT RELIEF

Purchase LA County residents’ medical debt for pennies on the dollar to retire it. This intervention will reduce financial and mental stress for hundreds of thousands of residents by providing rapid debt relief.

STRENGTHEN LOCAL COALITIONS TO ADDRESS MEDICAL DEBT

Address medical debt as a systemic health issue and sustain focused action on medical debt through the newly established coalition. Use this coalition to develop and implement strategies to advance the report recommendations and identify additional policies and practices that can reduce or eliminate accumulation of medical debt.
Appendix: Coalition Members

Community Organizations
Asian Americans Advancing Justice Southern California
Bet Tzedek Legal Services
California Pan Ethnic Health Network
Center for Health Care Rights
Community Build
Community Health Initiative
Debt Collective
Haven Neighborhood Services
Health Access California
Jubilee Legal
Maternal and Child Health Access
Neighborhood Legal Services of Los Angeles County
One LA
People Coordinated Services
Public Policy Institute of California
Rising Communities (Community Health Councils)
Social Model Recovery Systems
Southern California Coalition for Occupational Safety & Health
Southern California Pacific Island Community Response Team
The Children's Partnership
Western Center for Law and Poverty

Healthcare Organizations
Adventist Health White Memorial Hospital
Blue Shield of California Promise Health Plan
California Physicians Alliance
Cedars Sinai Medical Center
Community Clinic Association of Los Angeles
Community Hospital Huntington Park
Gateways Hospital
HealthNet
Kaiser Permanente
LA Care Health Plan
LA County Medical Association
Martin Luther King Community Hospital
Mission Community Hospital
Molina Healthcare
Providence Hospitals
Public Health Institute
QueensCare
UCLA Health

Local Government
LA County Department of Public Health
LA County Department of Consumer and Business Affairs
LA County Office of Immigrant Affairs
LA County Anti-Racism, Diversity, and Inclusion Initiative
LA County Poverty Alleviation Initiative
City of LA Department of Cultural Affairs
City of LA Department of Community Investment for Families


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