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Issue Brief

Seeing Red: Americans Driven into Debt by Medical Bills

Results from a National Survey

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ABSTRACT: New analysis of the 2003 Commonwealth Fund Biennial Health Insurance Survey reveals that an estimated 77 million Americans age 19 and older—nearly two of five (37%) adults—have difficulty paying medical bills, have accrued medical debt, or both. Working-age adults incur significantly higher rates of medical bill and debt problems than adults 65 and older, with rates highest among the uninsured. Even working-age adults who are continually insured have problems paying their medical bills and have medical debt. Unpaid medical bills and medical debt can limit access to health care: two-thirds of people with a medical bill or debt problem went without needed care because of cost—nearly three times the rate of those without these financial problems.

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As health care costs continue to rise and the numbers of uninsured and underinsured individuals grow ever larger,¹ American families are finding it increasingly difficult to pay for their medical care.² High out-of-pocket expenses are contributing to the rise of medical debt,³ which now accounts for as much as 40 to 50 percent of personal bankruptcies.⁴

Drawing on the Commonwealth Fund Biennial Health Insurance Survey, this issue brief estimates the prevalence of medical bill problems and current or accrued medical debt, and it examines their effects on access to care among the U.S. adult population (defined as individuals age 19 or older). Nearly one of three U.S. adults—an estimated 61 million people—reported problems paying medical bills in 2003. Meanwhile, an estimated 29 million adults, or 14 percent of the adult population, had current or accrued medical debt. Together, 77 million had medical bill problems or accumulated medical debt, including an estimated 12.4 million who reported having both. Medical bill and debt problems not only create financial hardship but can deter people from seeking further health care.

While rates of medical bill problems and medical debt are greatest for the uninsured, people with insurance face them as well. Having continuous insurance coverage, it seems, does not necessarily shield patients from unaffordable out-of-pocket medical costs. To better protect Americans' financial security and access to care, policymakers need to look more closely at the quality of insurance coverage and benefit design.

Unaffordable Medical Bills

Departing from similar national surveys, The Commonwealth Fund Biennial Health Insurance Survey ([see page 11 for survey details and study methodology](#)) captured new information by asking respondents whether they experienced three different types of problems during the past 12 months: Did they have difficulty in paying, or were they unable to pay, medical bills? Had they been contacted by a collection agency about owing money for medical bills? Did they have to change their way of life significantly in order to pay for medical bills? One of five adults surveyed (an estimated

43 million people) reported problems paying their medical bills, and a similar number said they were contacted by a collection agency about owing money for medical services. One of seven adults said they had to change their way of life significantly in order to pay for such bills. Overall, nearly one of three (29%) adults—an estimated 61 million people—reported at least one of these problems with medical bills in the past 12 months (Table 1).

Adults age 65 and older, even those with relatively low incomes, are much better protected from medical bill problems than working-age adults, the survey found (Figure 1). While nearly one-third of the working-age respondents (32%) reported any medical bill problems, just 14 percent of elderly respondents reported the same. Moreover, a significantly higher proportion of low-income working-age adults (48%) reported medical bill problems in the past 12 months than did low-income seniors (20%).

Rates of medical bill problems are also high for women, African American adults, and adults with health problems (Figure 2).⁵ Among the

working-age population, 39 percent of women have medical bill problems, compared with just 25 percent of men. More than half of working-age African Americans (52%) report medical bill problems, in contrast with 34 percent of Hispanics and 28 percent of whites. As expected, adults with health problems have significantly higher

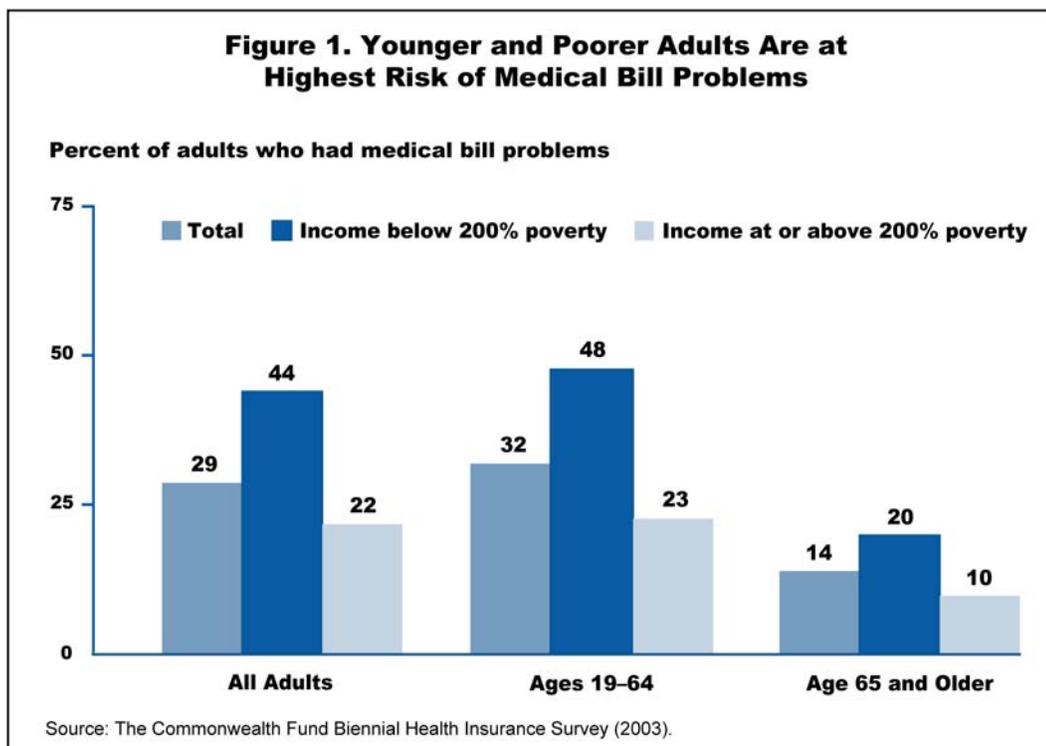
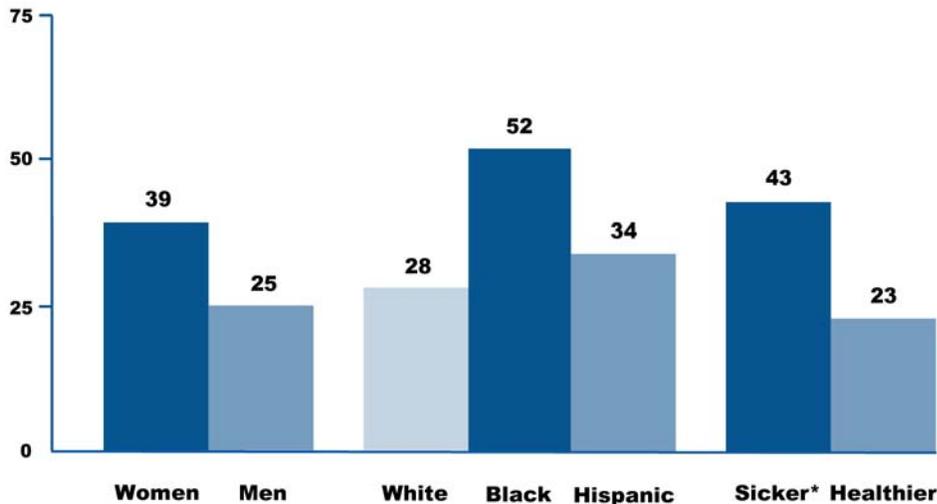


Figure 2. Women, African Americans, and Sicker Individuals Are at Especially High Risk for Medical Bill Problems

Percent of adults ages 19–64 with medical bill problems



* Sicker defined as reporting fair or poor health, one of six chronic conditions, or disability.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

rates of medical bill problems than healthier adults (43% vs. 23%).⁶ And while seniors with health problems have medical bill problems at a rate three times greater than that for healthier seniors (16% vs. 5%), they are better protected than their younger counterparts.

Driven into Debt

The Commonwealth Fund survey also assessed the extent to which individuals were grappling with recently incurred and long-term medical debt. Respondents who currently have medical bill problems were asked whether they had incurred large credit card debt or had taken a loan against their home in order to pay off their medical bills in the past year. In addition, individuals without current bill problems were asked whether they had any medical debt in the past three years that they could not pay right away and were paying off over time. In total, 14 percent of adults reported recently incurred or past debt problems—

an estimated 29 million nationally (Table 1). Working-age adults were more likely to have medical debt (16%) than adults age 65 and older (4%).

Seven percent of adults (about 15 million) reported that their current-year medical bill problems forced them to run up large credit card debt or to take out a loan against their home (Table 1). A similar number—an estimated 16 million adults—had currently

or in the past three years amassed medical bills or medical debt that they could not pay right away and were paying off over time.

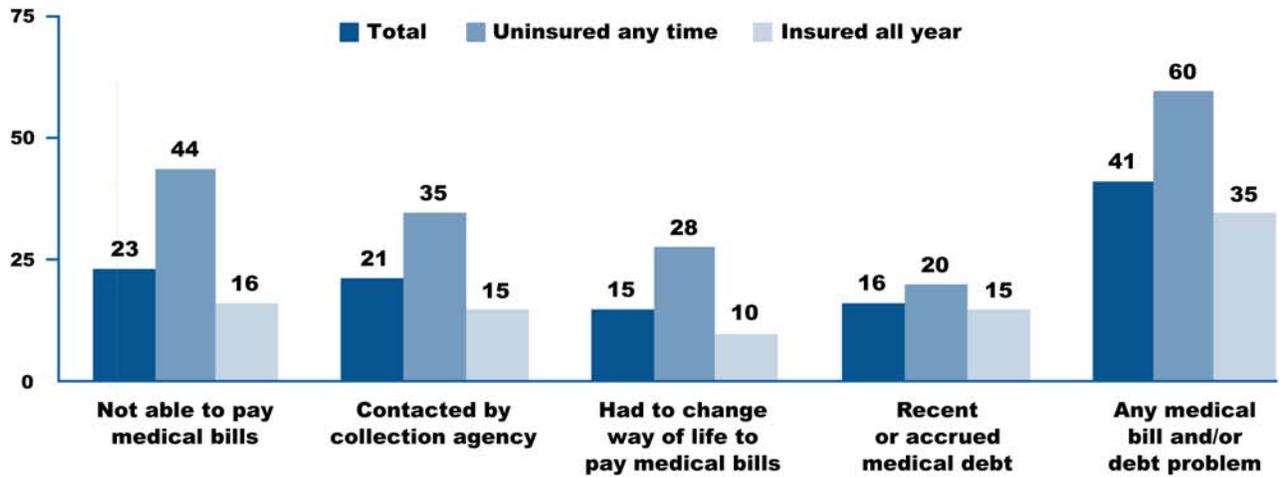
Counting those individuals with medical bill problems, accrued medical debt, or both yields a total of 77 million adults (Table 1). That is, nearly two of five (37%) adults in the United States have problems paying medical bills, are burdened with accrued medical debt, or are dealing with both. The vast majority of them—an estimated 71 million—are of working age.

The Uninsured Are Most Vulnerable

Not surprisingly, people ages 19 to 64 who lacked health insurance coverage during the year had significantly higher rates of medical bill problems and debt than did those with continuous health insurance coverage (60% vs. 35%) (Figure 3, Table 1). Indeed, rates of medical bill problems for the uninsured were more than twice those of the insured. Thirty-five percent of uninsured individuals were

Figure 3. Non-Elderly Adults with Any Time Uninsured Have High Rates of Medical Bill Problems and Debt

Percent of adults ages 19–64 who had the following problems in past year:



Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

contacted by a collection agency about outstanding bills, compared with just 15 percent of people who were continuously insured (Figure 3, Table 1). Twenty-eight percent of uninsured, working-age adults, meanwhile, had to change their way of life significantly to pay medical bills, compared with 10 percent of insured adults.

Any lapse in health insurance is a significant predictor of medical bill problems and medical debt, even after adjusting for health, income, age, gender, and race/ethnicity.

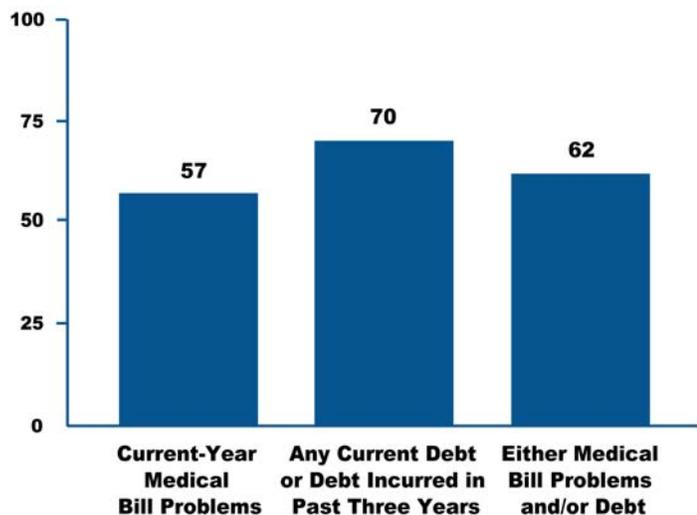
Insurance Does Not Guarantee Protection

Even when they have health insurance, American families still shoulder medical bill burdens and incur medical debt—the likely result of having inadequate insurance. Indeed, nearly six of 10 (57%) adults who had current-year bill difficulties and 70 percent of those

reporting debt said they were insured at the time their problems began (Figure 4). These findings confirm results of a recent bankruptcy study that

Figure 4. Majorities of Nonelderly Adults Were Insured When Medical Bill or Debt Problem Occurred

Percent of adults ages 19–64 who were insured at time bill or debt was incurred:



Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

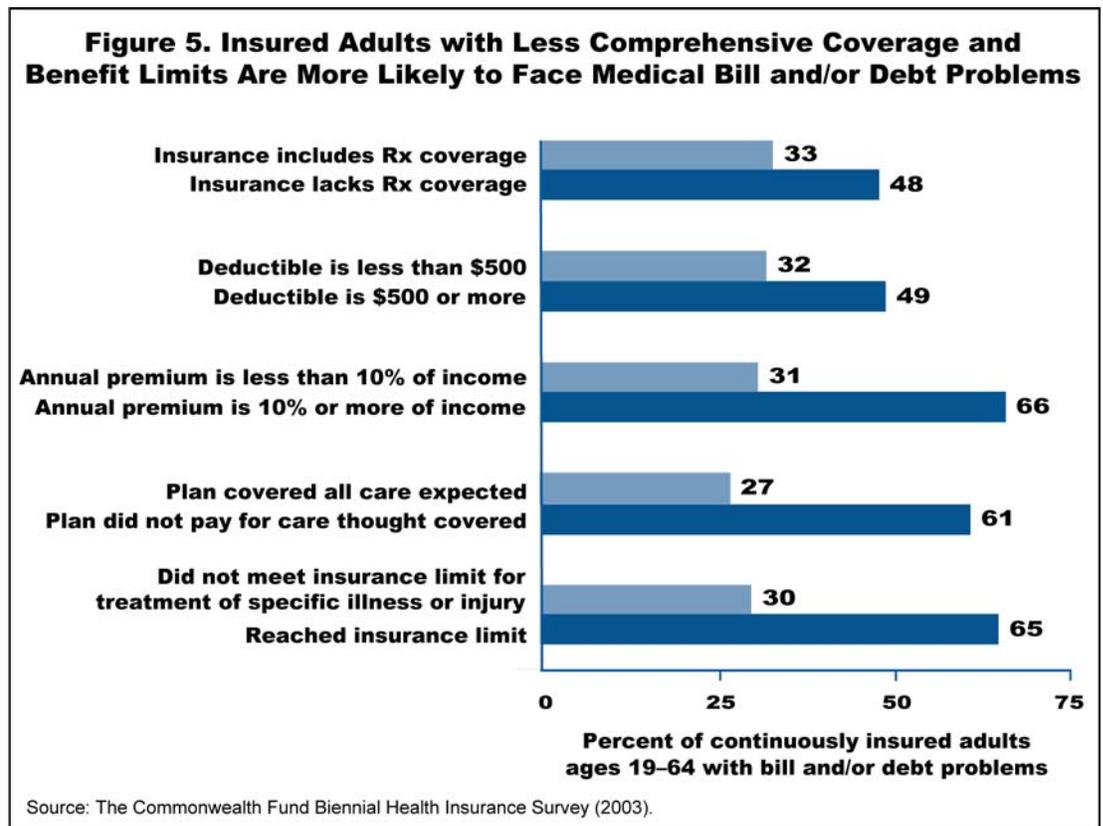
found many patients were insured when debt was incurred.⁷

Probing further, the present study finds that medical bill problems and medical debt are strongly linked to less-comprehensive insurance benefits (Figure 5, Table 2). Insured adults, whether under or over 65, who lack prescription drug coverage, for example, are significantly more likely to have medical bill and debt problems than those without drug coverage. Nearly half (48%) of working-age adults without prescription coverage reported medical bill and debt problems, as compared with 33 percent who did have prescription benefits (Figure 5).

High deductibles and premiums are also linked to medical bill problems and debt. Half (49%) of adults who have yearly deductibles of \$500 or more also have medical bill burdens and debt, while fewer than one-third of adults (32%) with deductibles below \$500 face these kinds of difficulties. Similarly, two-thirds of working-age adults paying 10 percent or more of their household income on insurance premiums reported medical bill problems or debt. Such difficulties occurred less than half as often (31%) among adults who did not pay as much for their premiums.

In addition, survey respondents who said that their health plan places constraints on their

benefits reported medical bill and debt problems at double the rate of individuals without insurance limitations. For example, two-thirds of continuously insured adults who reached the limit of what their insurance plan would pay for a specific treatment or illness experienced medical bill problems,



debt, or both (Figure 5). Even after adjusting for other important factors (such as poverty status, health status, race/ethnicity, age, and gender), having less-comprehensive benefits when insured remained a significant predictor of medical bill problems and medical debt.

Reduced Access to Care

The study finds that medical bill burdens and medical debt do not only reduce the financial security of American families; their access to health care is compromised as well. Sixty-three percent of adults with any medical bill or debt

problem went without needed care in the past 12 months because of cost, compared with 19 percent of adults without such problems (Figure 6). Rates of not visiting a doctor when sick, or skipping recommended medical test, treatment, or follow-up, were strikingly disparate as well. Forty-three percent of working-age adults with bill or debt problems did not fill a prescription because of cost, compared with just 9 percent of adults without such problems.

Even after adjusting for insurance, income, health status, and other variables, Americans with medical bill or debt problems are significantly more likely to not fill a prescription, forgo a needed doctor’s visit, or skip recommended tests or follow-up visits than are adults who do not have such medical bill problems.

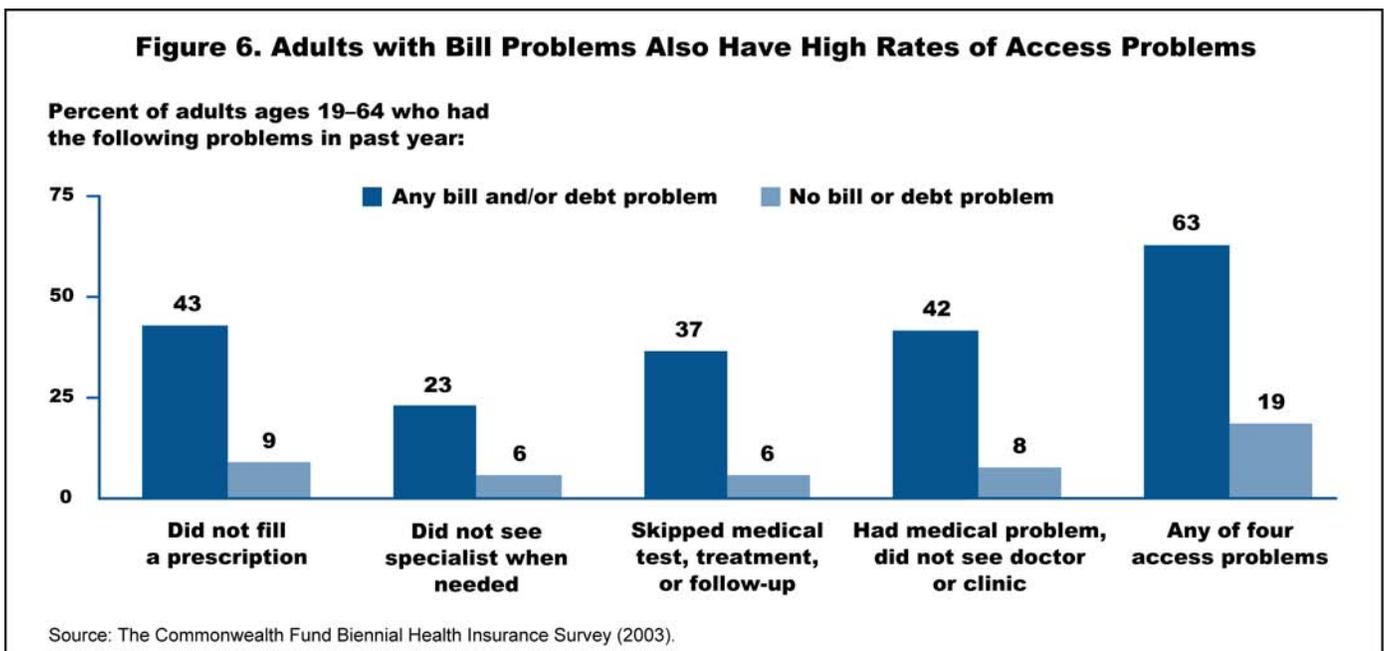
A Challenge to Policymakers

While lapses in coverage significantly increase the risk of medical bill problems and medical debt, even those with continuous coverage can have ruinous medical bills.⁸ This study shows that continually insured adults who have any gaps in their coverage, such as high deductibles or no prescription drug benefits, have greater bill problems and

accrued debt than their counterparts with more comprehensive insurance coverage.

More important in terms of the overall and long-term effects on health, unpaid medical bills and medical debt have consequences for subsequent health-seeking behavior, especially among those made more vulnerable by low income or health problems.⁹ As other studies have noted, the link between medical bills, debt, and access problems may reflect a more hostile reception of patients with outstanding bills, or fears among patients that their medical bills and debt will prevent them from receiving subsequent care.¹⁰

What do we as a nation do about the fact that many American families cannot afford to pay their medical bills and, as a result, experience financial problems, ration health care, or simply forgo needed care? While policymakers should be concerned about the uninsured, who are at greatest risk, the study shows that the plight of the “underinsured” must also be addressed. Health plans that expose patients to high medical costs—whether through the absence of key benefits, high cost-sharing, or the denial of claims—contribute significantly to families’ bill and debt problems.¹¹



NOTES

- ¹ S. R. Collins, M. M. Doty, K. Davis, C. Schoen, A. L. Holmgren, and A. Ho, *The Affordability Crisis in U.S. Health Care: Findings from the Commonwealth Fund Biennial Health Insurance Survey* (New York: The Commonwealth Fund, March 2004).
- ² C. Schoen, M. M. Doty, S. R. Collins, and A. L. Holmgren, “[Insured But Not Protected: How Many Adults Are Underinsured?](#),” *Health Affairs* Web Exclusive (June 14, 2005): W5-289–W5-302; S. Heffler et al., “U.S. Health Spending Projections for 2004–2014,” *Health Affairs* Web Exclusive (February 23, 2005): W5-74–W5-85.
- ³ H. T. Tu, *Rising Health Costs, Medical Debt, and Chronic Conditions*, Issue Brief no. 88 (Washington, D.C.: Center for Studying Health System Change, September 2004); J. H. May and P. J. Cunningham, *Tough Trade-Offs: Medical Bills, Family Finances, and Access to Care*, Issue Brief no. 85 (Washington, D.C.: Center for Studying Health System Change, June 2004); D. U. Himmelstein et al., “Illness and Injury as Contributors to Bankruptcy,” *Health Affairs* Web Exclusive (February 2, 2005): W5-63–W5-73; T. P. O’Toole et al., “Medical Debt and Aggressive Debt Restitution Practices: Predatory Billing Among the Urban Poor,” *Journal of General Internal Medicine* 19 (July 2004): 772–78; Collins et al., *Affordability Crisis*.
- ⁴ Himmelstein et al., “Illness and Injury”; O’Toole et al., “Medical Debt”; M. B. Jacoby, Testimony before the U.S. House of Representatives, Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, Hearing on “A Review of Hospital Billing and Collection Practices,” June 24, 2004.
- ⁵ Adults with health problems (“sicker”) are defined as reporting fair or poor health, having at least one of six chronic conditions (hypertension, heart attack, cancer, diabetes, arthritis, or high cholesterol), or a disability.
- ⁶ Even after controlling for insurance, age, and income, women, African Americans, and people with health problems had significantly higher rates of medical bill problems.
- ⁷ Himmelstein et al., “Illness and Injury.”
- ⁸ Ibid.
- ⁹ O’Toole et al., “Medical Debt”; May and Cunningham, *Tough Trade-Offs*; D. Gurewich, R. Seifert, and J. Prottas, *The Consequences of Medical Debt: Evidence from Three Communities* (Boston: The Access Project, February 2003).
- ¹⁰ O’Toole et al., “Medical Debt”; Gurewich, Seifert, and Prottas, *Consequences of Medical Debt*.
- ¹¹ K. Davis, M. M. Doty, and A. Ho, *How High Is Too High?: Implications of High-Deductible Health Plans* (New York: The Commonwealth Fund, April 2005); C. L. Schur, M. M. Doty, and M. L. Berk, *Lack of Prescription Coverage Among the Under 65: A Symptom of Underinsurance* (New York: The Commonwealth Fund, February 2004); J. R. Gabel et al., “[Employers’ Contradictory Views About Consumer-Driven Health Care: Results from a National Survey](#),” *Health Affairs* Web Exclusive (April 21, 2004): W4-210–W4-218.

Table 1. Medical Bill and Medical Debt Problems Among Adults Age 19 and Older, by Insurance Status

	All Adults	Adults 19–64		Adults 65+	
	Total	Total	Uninsured Anytime	Insured All Year	Total
Any medical bill problems in past 12 months	29%	32%	54%	25%	14%
Had problems paying or unable to pay medical bills	21	23	44	16	8
Was contacted by a collection agency about owing money for medical bills	18	21	35	15	5
Had to change way of life significantly to pay medical bills	14	15	28	10	8
Recent or accrued medical debt	14	16	20	15	4
Current-year bill problem resulted in large credit-card debt, loan, or debt against home	7	8	15	6	2
Currently or in the past three years incurred medical bills or medical debt that couldn't pay right away and are paying off over time*	8	9	6	10	3
Medical bill problem and/or current or accrued medical debt	37	41	60	35	17
MILLIONS	207.3 M	172.0 M	45.5 M	126.5 M	34.1 M
Any medical bill problems in past 12 months	60.8	55.6	24.4	31.2	4.9
Had problems paying or unable to pay medical bills	42.8	39.7	19.9	19.9	2.8
Was contacted by a collection agency about owing money for medical bills	37.2	35.3	16.1	19.2	1.8
Had to change way of life significantly to pay medical bills	28.8	25.8	12.5	13.2	2.8
Recent or accrued medical debt	29.3	27.7	9.2	18.6	1.5
Current-year bill problem resulted in large credit-card debt, loan, or debt against home	15.2	14.5	6.6	7.8	0.6
Currently or in the past three years incurred medical bills or medical debt that couldn't pay right away and are paying off over time*	16.2	15.3	2.9	12.4	0.9
Medical bill problem and/or current or accrued medical debt	77.0	70.9	27.3	43.6	5.8

* Only asked of people who responded no to all three of the medical bill questions.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Table 2. Insurance Benefits, Medical Bill Problems, and Medical Debt Among Continuously Insured Adults Ages 19 to 64

Characteristics of Respondents	Continuously Insured Adults Ages 19–64		
	Any Medical Bill Problem ^a	Medical Debt ^b	Any Medical Bill Problem or Debt
Adults insured all year (in millions)	31.2	18.6	43.6
Percent distribution	25%	15%	35%
Characteristics of insurance plan			
No prescription-drug benefit	37%	20%	48%
Has prescription benefit	23	14	33
Yearly deductibles			
Less than \$500	23	14	32
\$500 or more	34	24	49
Annual premiums			
None	18	82	5
\$1–\$999	22	15	32
\$1,000–\$2,499	23	15	34
\$2,500 or more	32	21	46
Premium represents 5% or more of income	41	21	52
Premium represents 10% or more of income	52	31	66
Insurance-plan difficulties			
Plan would not pay anything for care thought to be covered	47	26	61
Reached insurance company limit for treatment of a specific illness or injury	50	29	65

^a Had problems paying or was unable to pay medical bills; was contacted by a collection agency about owing money for medical bills; or had to change way of life significantly to pay medical bills.

^b Currently or in the past three years had any medical bills or medical debt that respondent couldn't pay right away and is paying off over time; or has large credit-card debt or has taken a loan or debt against home because of need to pay medical bills.

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

Table 3. The Relationship Between Medical Bill Problems or Medical Debt and Cost-Related Access Problems Based on Logit Models, 2003

Variables	Did Not Fill Prescription Odds Ratio	Did Not Visit Doctor When Sick Odds Ratio	Skipped Recommended Tests or Follow-Up Odds Ratio	Did Not See Specialist When Needed Odds Ratio	Had Any Cost-Related Access Problems ^a Odds Ratio
Medical bill or debt problems (ref=No bill or problems)	5.65***	6.93***	6.36***	3.33***	5.52***
Insurance type (ref=insured all year, with Rx)					
Insured all year, No Rx	2.41***	1.65*	1.78**	1.27	1.93***
Uninsured anytime	2.43***	4.71***	3.90***	2.28***	2.88***
Poverty status (ref=200%+ FPL)					
Less than 200% FPL	1.12	1.60**	1.21	1.18	1.24
Health status (ref=Healthier) ^b					
Sicker	2.02***	1.59***	2.13***	2.13***	1.82***
Race/Ethnicity (ref=non-Hispanic white)					
African American	0.98	0.59**	0.84	1.19	0.94
Hispanic	0.59**	0.73	0.74	1.22	0.92
Age (ref=65 and older)					
19–64	1.68**	2.16**	2.66***	1.69*	1.73***
Gender (ref=male)					
female	1.66***	1.21	1.47**	1.13	1.35**

Note: Models show the independent effects of each variable simultaneously controlling for all the other variables listed.

^a Cost-related access problems include: did not fill prescription, did not get needed specialist care, skipped recommended test or follow-up, or had medical problem but did not visit doctor or clinic due to cost.

^b Sicker: Fair/poor health status, chronic condition, or disability; Healthier: excellent/very good/good health status, no chronic condition or disability.

* p < .05

** p < .01

*** p < .001

Source: The Commonwealth Fund Biennial Health Insurance Survey (2003).

METHODOLOGY

Data come from the Commonwealth Fund Biennial Health Insurance Survey (2003), a national telephone survey conducted from September 3, 2003, through January 4, 2004, among a random, nationally representative sample of 4,052 adults (defined as individuals age 19 and older) living in the continental United States. The survey consisted of 25-minute telephone interviews administered in English or Spanish and had a 50-percent response rate (calculated according to the standards of the American Association for Public Opinion Research).

Using a stratified sampling design, the study oversampled low-income African Americans and Hispanics. The sample was drawn using random-digit dialing methods, which selected telephone numbers disproportionately from area-code/exchange combinations with higher-than-average density of low-income households. The final data were weighted to correct for the disproportionate sample design and to make the sample representative of all adults living in the continental United States. Data were weighted by age, sex, race/ethnicity, education, household size, geographic region, and telephone service interruption using the U.S. Census Bureau's 2003 Annual Social and Economic Supplement.

We classified respondents by whether they were insured all year or had any lapse in coverage during the year. We also classified them by health status and income. Respondents were asked to rate their health, whether they had been diagnosed with any of six chronic health conditions, or whether a disability prevented them from participating fully in daily activities. Those reporting their health as fair or poor, having at least one of the six conditions (hypertension, heart attack, cancer, diabetes, arthritis, or high cholesterol), or a disability were grouped as "sicker" in the analysis. Respondents were also categorized by their income relative to the federal poverty level. Data on race/ethnicity and age were available as well.

We used a combination of bivariate and multivariate analyses to examine the correlates of medical bill problems and medical debt (current or accrued) and to assess their effects on health care utilization. The multivariate models estimated the independent effects of health insurance on medical bill problems and debt, controlling for confounding factors such as health status, poverty, age, and gender. We also estimated the independent effects of medical bill burdens and medical debt on cost-related access problems, controlling for insurance and the same confounding factors. We used statistical software (STATA 7.0) that takes into account the clustered sampling strategy when computing the standard errors.

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