

Governments target medical debt with COVID relief funds

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Somerville City Councilor Willie Burnley Jr., stands near the Prospect Hill Monument, Wednesday, Feb. 1, 2023, in Somerville, Mass. Somerville could follow the lead of an increasing number of municipal, county and state governments and use federal pandemic relief funds to pay residents' burdensome medical debt. Credit: AP Photo/Steven Senne

Millions of Americans mired in medical debt face difficult financial decisions every day—pay the debt or pay for rent, utilities and groceries. Some may even skip necessary health care for fear of sinking deeper into debt.

To address the problem, an increasing number of municipal, county and state governments are devising plans to spend federal coronavirus pandemic relief funds to eliminate residents' medical debt and ease those debt burdens.

The City Council in the Boston suburb of Somerville last month unanimously passed a resolution to spend \$200,000 of the city's \$77 million in American Rescue Plan Act funding that could clear as much as \$4.3 million in medical debt, said Willie Burnley Jr., one of the city councilors behind the effort. As many 5,000 of the city's 80,000 residents could benefit.

Cook County, Illinois, which includes Chicago, and Pittsburgh, New Orleans and Toledo, Ohio, are among more than a dozen communities that have set into motion or are considering similar plans. Democratic Connecticut governor Ned Lamont last week proposed spending \$20 million in ARPA funds to eliminate as much as \$2 billion in state residents' medical debts.

Unlike credit card or loan debt, medical debt is not a choice, advocates said.

"Medical debt is something that people can't help and it's not their fault," Burnley said. "No one chooses to get hurt or to get sick."

Somerville resident Virginia Faust has health insurance, but she still fell several thousand dollars into debt in 2021 when a mental health emergency required a weeklong hospital stay. The debt affected her

credit, and in a cruel irony, put additional stress on her mental health.

"This would have a tangible effect on my life and relieve a lot of stress," Faust, 25, said of Burnley's plan. "It would mean I would be more likely to go to a doctor and get regular checkups."

In Toledo, a combined \$1.6 million from the city and Lucas County will eliminate as much as \$240 million in medical debt for as many as 41,000 residents, according to Ohio state Rep. Michele Grim, who drove the effort when she served as a Toledo city councilor.

"It's such a great return on investment," she said. "I really couldn't think of a better way to use dollars that were meant to aid in the economic recovery of our citizens."

The cities and states are teaming up with RIP Medical Debt, a New York-based nonprofit that since 2014 has used donations to buy huge bundles of debt from hospitals and other health care providers at pennies on the dollar and pay it off. A single donated dollar erases an average of \$100 of debt.

More than 40% of American adults have medical debt and about two-thirds of personal bankruptcies in the nation cite medical debt as a leading cause, said Allison Sesso, president and CEO of the nonprofit.

The money is coming from the federal government's \$1.9 trillion American Rescue Plan Act, which included \$360 billion for local, state, territorial and tribal governments to provide economic relief.

"This is one of the most impactful and direct ways we can use this money and it would have incredible and quantifiable benefits," Burnley said.

Eligibility requirements can vary, but to be eligible in Somerville for the debt relief through RIP Medical Debt, individuals or families can have a household income of up to 400% of the federal poverty—that's \$111,000 annually for a family of four according to federal statistics—or have medical debts that exceed 5% of their annual income.

There is no need to apply. RIP Medical Debt determines eligibility and the beneficiaries get a letter informing them that their debt has been acquired and canceled. Not everyone will benefit. People whose debt continues to be held by for-profit collection agencies may miss out.

Unlike federal student loan debt relief, medical debt relief has more widespread and bipartisan support. According to a recent [survey by Tulchin Research](#), more than 70% of Americans support medical debt relief, while only about half of Americans support student loan debt relief. The survey of 1,500 adults had a margin of error of plus or minus 2.5 percentage points.

Since its founding, RIP Medical Debt has raised enough money to eliminate more than \$8.5 billion of debt for nearly 5.5 million people. But that's barely a dent in the total number of people facing tough money choices.

A 2021 study that appeared in the Journal of the American Medical Association determined that Americans have \$140 billion in unpaid health care bills at collection agencies alone, and that debt disproportionately affects the poor.

Although it's a good cause, using ARPA funds to discharge medical debt does not address the underlying systemic problem, said Ray Kluender, an assistant professor at Harvard Business School and one of the study's co-authors.

Medical debt is a "byproduct of the patchwork way we pay for health care," he said.

"While relieving debts after they have gone through the provider collections process won't address the issues driving the accumulation of these unpaid bills in the first place, it may nevertheless help people who are struggling to pay back their bills," he said.

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