

Are Medical Bills a Burden?

Exploring How Coloradans Cope with Medical Debt

MAY 2014

Not having health insurance can put people at financial risk in the event of costly medical services. People who are underinsured – meaning their health insurance does not adequately cover their health care expenses – also may find themselves in a bind if they need expensive treatment.

The Affordable Care Act (ACA) attempts to limit financial exposure to medical expenses by covering more people and regulating the health insurance

industry. Expanding Medicaid, requiring insurance plans to provide a minimum level of benefits, and putting caps on cost sharing are among the approaches.

Will these strategies make a difference? Data from the 2013 Colorado Health Access Survey (CHAS) on the burden of medical bills provide a baseline to measure the potential impact of the ACA on Coloradans' pocketbooks.

Percentage of Coloradans Who Had Problems or Were Unable to Pay Their Medical Bills During the 12 Months Before the Survey, 2009-2013



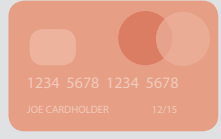
Among those Coloradans who did face challenges in paying their medical bills, the 2013 CHAS asks how those challenges were addressed (all that apply)



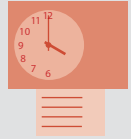
69.2%
Cut back on or took funds out of savings



42.8%
Were unable to pay for basic necessities like food, heat or rent



42.6%
Took on credit card debt



28.3%
Added hours at their current job or took on another job

What the CHAS Tells Us

The CHAS asked whether a family – or an individual, in the case of one-person households – had difficulty paying medical bills for a randomly selected “target” member of the household in the 12 months prior

to the survey. Medical bills were broadly defined to include payments for doctors or hospitals, dentists, prescription drugs, nursing homes or home care organizations.

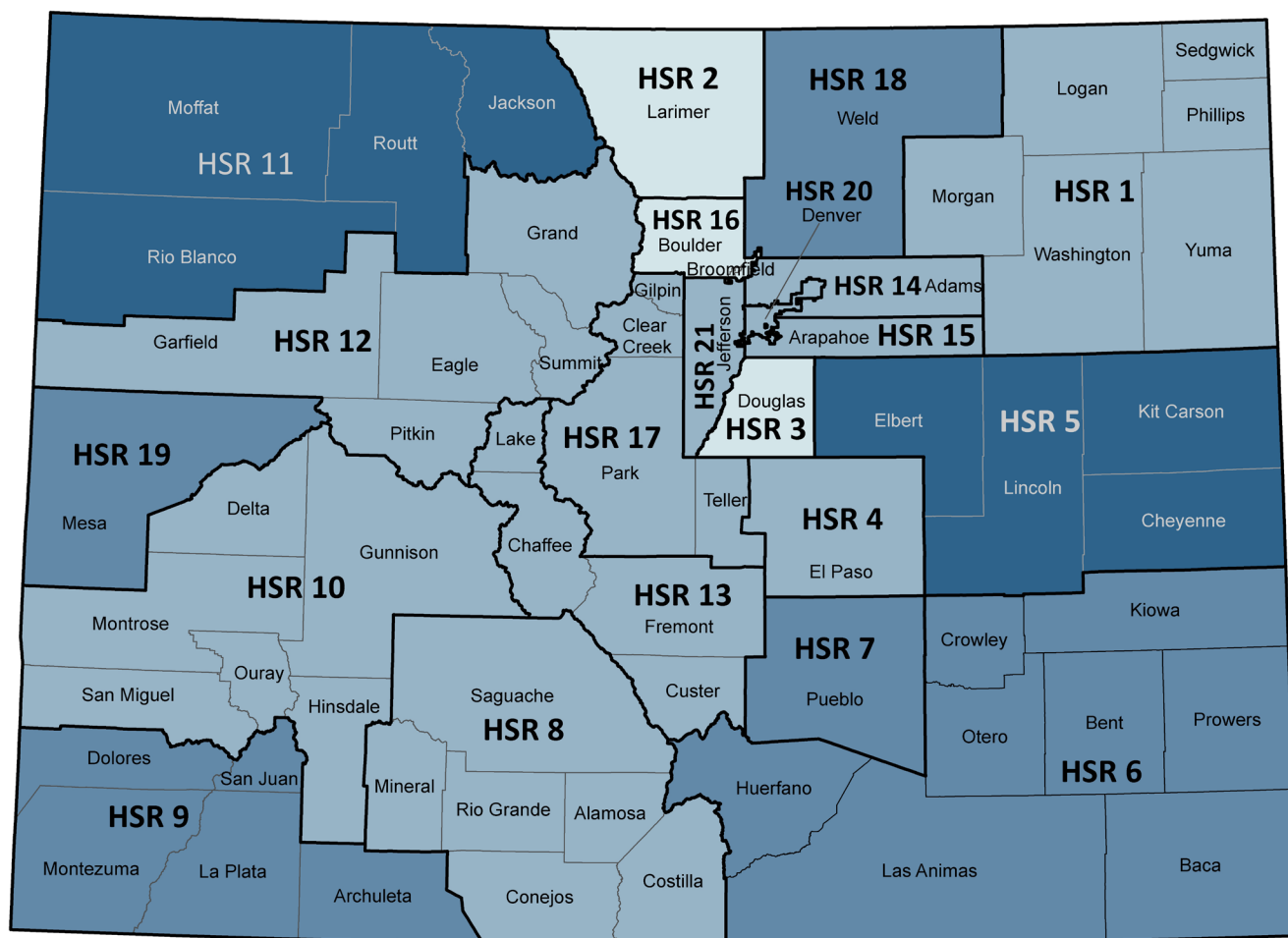
1. How Many Coloradans Had Problems Paying Medical Bills? How Did They Address Those Challenges?

Around one-fifth of Coloradans – an estimated 936,673 people – indicated they had problems paying their medical bills. This percentage stayed relatively stable in 2009 and 2011, but declined to 18.1 percent in 2013 – a statistically significant decrease. Why? One possibility is that Colorado’s uninsured rate dropped between 2011 and 2013, shielding more people from the financial risk of medical expenses. Or the decrease might reflect an

improvement in the economy as Colorado emerged from the Great Recession.

Among those still facing burdensome expenses, the most common response is to cut back on their savings or tap their nest eggs. About 69 percent of Coloradans who had payment challenges said they trimmed their savings. Nearly 43 percent said they were unable to pay for food, heat or rent due to their medical bills, and a similar percentage (42.6 percent) assumed new credit card debt. Approximately 17 percent took out a loan and 11 percent declared bankruptcy.

Coloradans Reporting Problems Paying Medical Bills, by Health Statistics Region, 2013



Source: 2013 Colorado Health Access Survey

Map prepared March 24, 2014 by the Colorado Health Institute.

Percentage of population reporting problems paying medical bills

- 10% - 15%
- 16% - 20%
- 21% - 25%
- 26% - 30%

2. Who Experienced the Most Medical Debt?

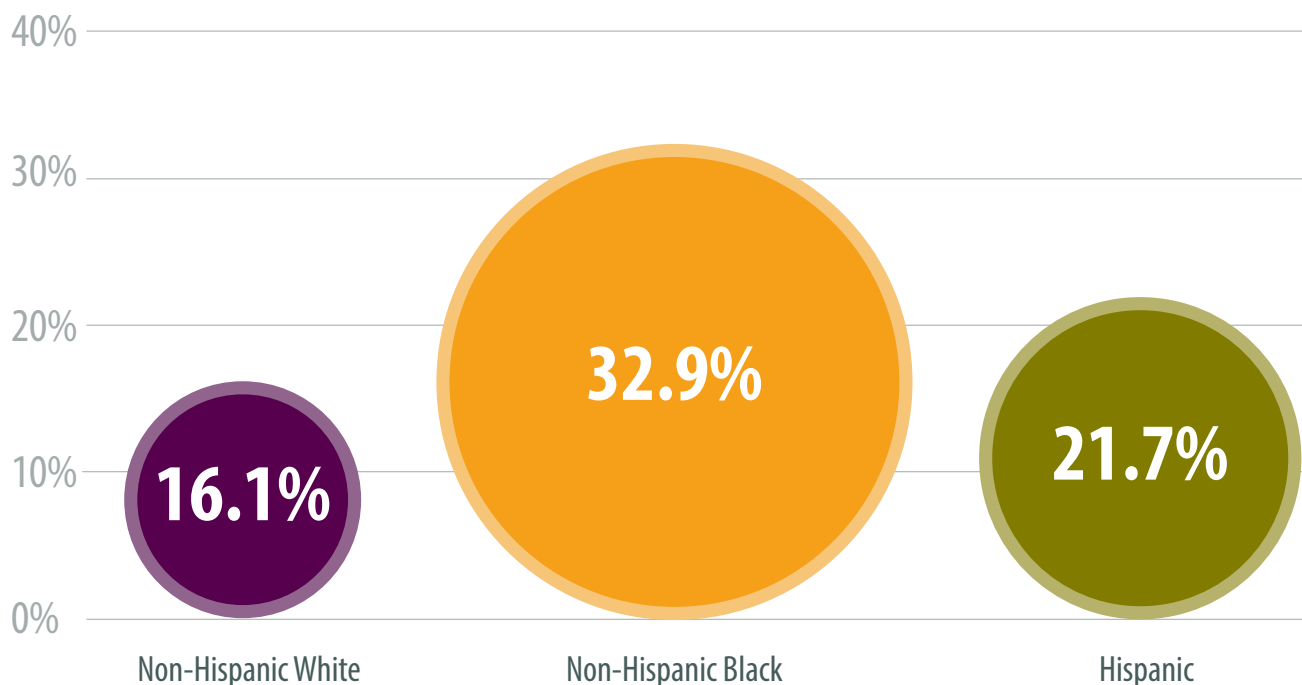
The CHAS data reveal the demographics of medical debt:

- One of three African Americans (32.9 percent) reported problems paying medical bills, compared with 16.1 percent of whites and 21.7 percent of Hispanics.
- Unemployed Coloradans experienced a higher medical debt rate – 38 percent – than people with jobs (16.7 percent) and those not in the labor force (16.2 percent).
- Low-income Coloradans have the highest rates of problems paying medical bills: about 28 percent of those with incomes between 101 and 200 percent of the federal poverty level (FPL), compared with

7.5 percent of people over 400 percent FPL. (The poverty level in 2013 was an annual income of \$11,490 for one person and \$23,550 for a family of four.)

- Adults who have a disability that limits their ability to work were more than twice as likely (35 percent) to report problems paying medical bills as people without a disability (14 percent).
- Residents of rural areas – especially the Eastern Plains and northwest counties – tend to have higher rates of problems paying medical bills. Cheyenne, Elbert, Kit Carson and Lincoln counties (Health Statistics Region 5) had the highest rate – 29.4 percent – while Larimer County (10.2 percent) and Douglas County (10.3 percent) had the lowest rates.

Unpaid Medical Bills by Race/Ethnicity, Colorado, 2013



3. Implications of Medical Debt

The burden of medical debt in Colorado is pretty much the same as the burden nationwide: 20 percent of American adults between the ages of 18 and 64 in 2012 indicated that they had problems paying medical bills, compared with 19.3 percent of Coloradans in the same age group.

The fact that 42 percent of those with burdensome medical bills reported that they were unable to pay for basic necessities such as food, heat or rent suggests that families have to make tough choices when medical bills are involved. Medical debt may be a symptom of the continued fallout from a recession that sent tens of thousands of Coloradans to the unemployment lines.

Does Insurance Make A Difference?

It's not surprising that uninsured Coloradans reported the highest rates of problems paying medical bills – 34.2 percent. Those with commercial insurance, either through an employer or directly from an insurer, reported the lowest rate – 13.2 percent.

What may be unexpected is that one of five Coloradans covered by public insurance – Medicare, Medicaid or the Child Health Plan Plus (CHP+) – reported problems paying medical bills. These programs cover a relatively wide array of services with

little or no cost sharing, so what could be going on?

It is possible the medical bills are for services not covered by the programs, especially services needed by people with disabilities or with complex health needs. Perhaps the bills represent long-standing debt that predates the 12-month look-back window of the CHAS. Coloradans who qualify for these programs have relatively low incomes, so they may be more sensitive to any amount of cost sharing.

Problems Paying Medical Bills By Type of Coverage Or Insurance, Colorado, 2013

	Commercial Insurance, Full 12 Months		Public Insurance, Full 12 Months		Uninsured, Full 12 Months	
	Number	Percent	Number	Percent	Number	Percent
Problems paying medical bills in the past 12 months						
Yes	454,304	13.2%	186,408	21.9%	189,607	34.2%
No	2,980,872	86.8%	665,248	78.1%	364,854	65.8%
TOTAL	3,435,176	100.0%	851,656	100.0%	554,462	100.0%

Conclusion

The CHAS provides insight on how economic, demographic and policy changes affect the burden of medical debt on Coloradans. The Colorado Health Institute will continue tracking whether provisions of the ACA intended to lessen the burden over time actually do the trick.

CHAS: The Basics

The Five Ws



Who: 10,224 randomly selected households with one person at least 18 years old



What: Twenty-minute telephone survey on health insurance, access to health care and use of health care



When: Between April 15 and July 27, 2013



Where: Statewide, divided equally among 21 Health Statistics Regions



How: 4,257 households with cell phones, up from 1,214 in 2011 and 400 in 2009