

# MEDICAL DEBT IN TENNESSEE

## Who Has It and Why Does It Matter?



THE SYCAMORE INSTITUTE

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Medical debt is surprisingly common and can have far-reaching effects on prosperity and health. This report looks at the estimated prevalence of medical debt in Tennessee and explains why it matters. A [companion report](#) provides background on how medical debt occurs. Future reports will focus on how medical debt varies across Tennessee's 95 counties and options for policymakers who want to address it.

### KEY TAKEAWAYS

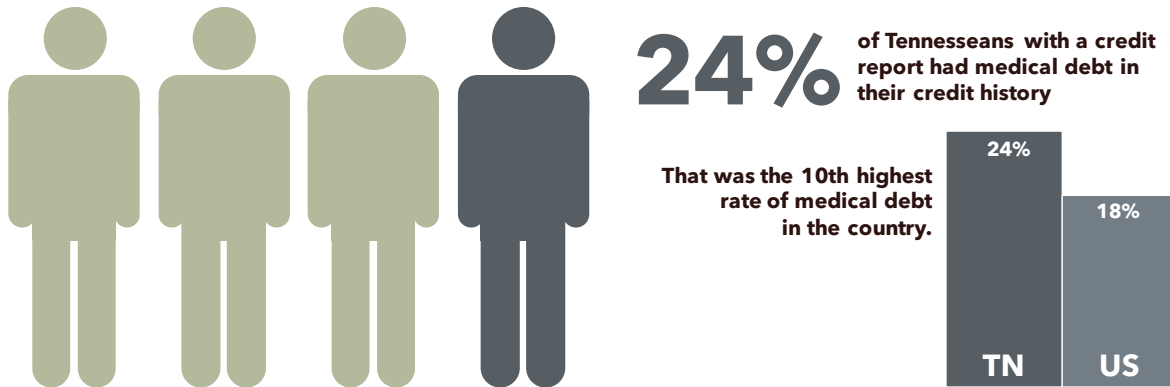
- 24% of Tennesseans with a credit report had medical debt in their credit history in 2016 – the 10th highest rate in the country. The median amount of medical debt on their credit reports was \$739.
- Available data suggest medical debt is common across most demographic and socioeconomic groups in Tennessee but more so among the uninsured, those with lower incomes or education levels, and people of color.
- Even small amounts of medical debt can hinder economic security and mobility by feeding debt cycles and reducing access to jobs, housing, and forms of credit that help build wealth.
- People with medical debt are more likely to be in poor health and less likely to access needed medical care. Debt-related stress can also negatively influence health behaviors and outcomes.

### Medical Debt in Tennessee

**Medical debt hurt the credit history of an estimated 24% of Tennesseans with a credit report in 2016 (Figure 1)**, according to a sample of credit bureau data. (1) Nationally, this rate was about 18% with Tennessee having the 10th highest rate among all states.

**The median amount of medical debt appearing on Tennesseans' credit reports was \$739.** (1) In other words, half of the affected Tennesseans had less than \$739 of medical debt on their credit histories, and half had more.

## Figure 1. Medical Debt Hurt the Credit History of 1 in 4 Tennesseans with a Credit Report in 2016



Note: Medical debt on a credit report includes unpaid medical bills that have been reported to a credit bureau and added to an individual's credit history. Not all unpaid medical bills are reported to a credit bureau, and an estimated 11% of adults nationwide do not have a credit record. (2)

Source: 2016 credit bureau data via Urban Institute's Debt in America project (1)

## Demographics & Financial Status of Tennesseans with Medical Debt

**A 2015 survey suggests unpaid medical bills are common across most demographic and socioeconomic groups in Tennessee, with higher rates likely among certain groups.** The 2015 National Financial Capability Study (NFCS) estimated that 27% of Tennesseans age 18-64 had unpaid, past-due medical bills. (3) (4) The survey also estimated that Tennesseans with the following characteristics were more likely to report having past-due medical bills:

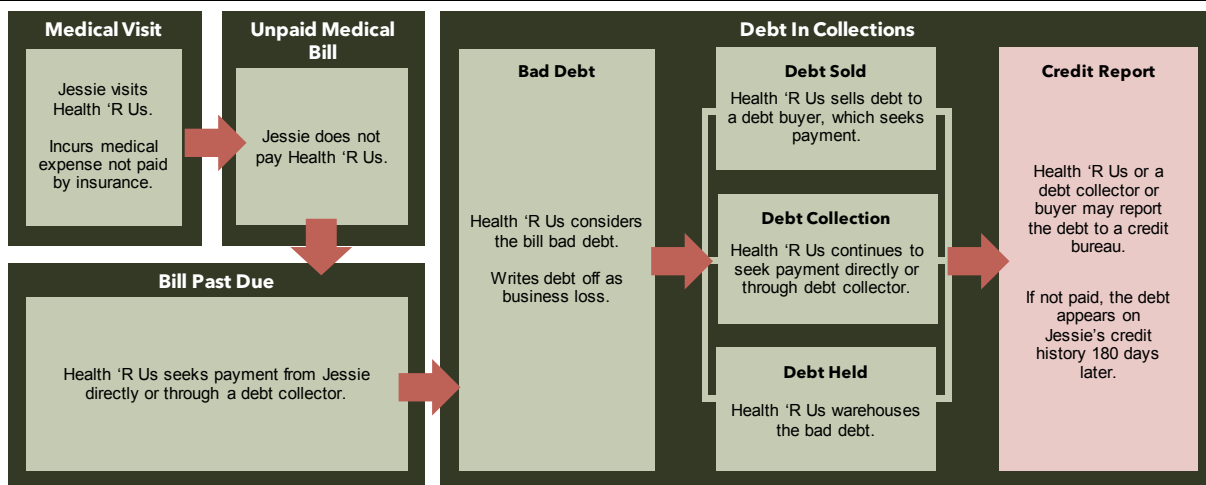
- Uninsured\*
- Lower income\*
- Lower level of education
- Person of color
- No emergency fund\*
- Age 35-44
- Children in the household\*

### About the Data

*The Credit Bureau Data:* The credit bureau data do not include individuals without a credit report or whose unpaid bills have not been reported to a credit bureau (**Figure 2**). A 2015 study estimated that 11% of adults nationwide do not have a credit report, and those with lower incomes are less likely to have a credit report. (2) As a result, the medical debt estimates based on credit bureau data likely underestimate the prevalence of medical debt in Tennessee.

*The NFCS Data:* The NFCS estimates are based on survey responses weighted to be representative of each state's total population, as well as by age, gender, race/ethnicity, and level of education. Due to survey design, results may not be representative of other sub-populations (including those with asterisks above). Medical debt estimates based on the NFCS may over or underestimate the prevalence of medical debt in Tennessee.

See the **Methods Appendix** for more information about both data sources, their limitations, and the full results of our NFCS analysis.

**Figure 2. How a Medical Bill Becomes Medical Debt**

Source: Adapted from Urban Institute (5)

## Medical Debt Affects Prosperity and Health

Medical debt can have long-lasting and compounding effects on economic prosperity and health.

### How Medical Debt Affects Financial Security and Economic Mobility

**Medical debt can hinder economic security and mobility** in both the short- and long-term in a variety of ways. For example, it can:

- Crowd out spending on other basic needs and investments that build long-term wealth.
- Feed a cycle of debt associated with economic stagnation and instability.
- Reduce access to and increase the costs of credit types associated with economic mobility and long-term wealth creation.
- Create barriers to employment and housing.

**Medical bills do not have to be huge to create financial challenges.** In a national survey by the Federal Reserve, 40% of adults said they would have trouble covering an unexpected \$400 expense in 2017. (6) Struggling to pay even small medical bills can pose financial hardship or become the catalyst for other financial problems. (9)

**People with medical debt are more likely to have other debts and report trouble paying other bills, meeting basic needs, and saving for the future.** Those without resources to pay unexpected medical bills may spend down savings or turn to higher-cost financing methods, which may feed a cycle of debt (see [Medical Debt 101](#)). (7) A person with medical debt is more likely to have credit card debt, student loans, car loans, mortgages, and payday loans (i.e. a short-term, high-interest loan). (14) (9) (4) (15) For example, the NFCS estimated that 51% of Tennesseans with unpaid medical bills (vs. 23% without) reported taking a payday loan in the last five years. (3) Medical debt in one's credit history can also affect financing terms and costs. In addition, some evidence suggests unpaid medical bills may contribute to home foreclosures. (12)

**Medical debt hurts credit history and credit scores, which can have wide-ranging and long-lasting effects.** Credit history and credit scores affect a person's access to loans that can enhance economic mobility and long-term wealth (e.g. mortgages). Other potential negative effects include limiting employment opportunities and making access to housing and utility services more expensive. (See [Medical Debt 101](#))

**Finally, people with medical debt are more likely to file for bankruptcy.** While people file for bankruptcy for multiple reasons, medical debt is often a major contributor in consumer bankruptcies. (16) The extent to which medical debt causes bankruptcy is disputed, but research suggests that low-income households may be more susceptible to bankruptcy resulting from medical debt. (4) (15)

## How Medical Debt Affects the Drivers of Health and Health Outcomes

**Individuals with medical debt are more likely to be in poor health.** (9) (17) (18) Debt in general is associated with higher blood pressure, worse self-reported health status, poorer mental health, and shorter life expectancy. (11) (19) (20) Ultimately, such health outcomes can affect our state's economy through [higher medical costs, lost productivity, and premature death](#).

**These health outcomes may be due, in part, to the wide-ranging effects of debt on [the drivers of health](#).** Those drivers include access to clinical care, health behaviors, social and economic factors, and the physical environment.

- **People with medical debt are less likely to access needed clinical care or prescription medications than those without medical debt.** (10) (21) (22) (17) Individuals may be hesitant to incur additional debt, or providers may refuse service until past-due bills are paid. (8)
- **Household debt in general can negatively influence health behaviors.** Debt-related stress can lead to risky behaviors like smoking, increased alcohol consumption, and poor nutrition. (23) Aggressive debt collection practices like garnishing wages, property liens, and home foreclosures – which uninsured individuals with lower incomes may be more likely to face – can add to that stress. (24) (25)
- **Debt influences our social, economic, and physical environments in ways that can contribute to poorer health outcomes.** For example, as discussed in the previous section, medical debt can affect a person's [social and economic status](#) and their [housing](#) situation.

## Parting Words

Medical debt is a complex topic with far-reaching implications for Tennesseans' health and prosperity. This report and accompanying [Medical Debt 101](#) primer kick off a series that we hope will inform an evidence-based discussion about medical debt in Tennessee, its effects, and potential policy levers. Subsequent reports will explore county-level data on medical debt in Tennessee and options for policymakers who want to address it.

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## METHODS APPENDIX

### About the Credit Bureau Data

Credit bureau data from 2016 were derived from Urban Institute's Debt in America study. Their study looked at a random sample of de-identified, consumer-level records from one credit bureau. Data are reported at the national, state, and county levels. (26)

### Defining Medical Debt in the Credit Bureau Data

The data include medical debt that has been reported to a credit bureau.

### Limitations of the Credit Bureau Data

While credit bureau data is extremely accurate, it has several limitations:

- The data do not include consumer-level information like demographics or socioeconomic characteristics.
- All medical debt is not reported to a credit bureau.
- Some people do not have a credit record. A 2015 study estimated that 11% of adults nationwide do not have a credit report, and those with lower incomes are less likely to have a credit report. (2)
- The data include debts that may have been settled. If unpaid medical bills are reported to a credit bureau, they remain on a person's credit report for seven years – even if the debt is ultimately paid. (6)

### About the National Financial Capability Study

The National Financial Capability Study (NFCS) is a project of the FINRA Investor Education Foundation. This dataset provides national and state-level information about how individuals manage their financial resources and decisions. The NFCS is a nationwide online survey of over 25,000 American adults. Approximately 500 respondents per state are sampled. The survey is weighted based on Census distributions from the American Community Survey. (27)

### Defining Medical Debt in NFCS

Adults were classified as having medical debt if they answered yes to this question: "Do you currently have any unpaid bills from a health care or medical service provider (e.g. a hospital, a doctor's office, or a testing lab) that are past due?" (4)

Most of our analyses focus on non-elderly adults (18-64 year olds), which is consistent with a number of other studies in this area. (28) (9) (4) (29) While medical debt also occurs among seniors, research shows the prevalence decreases with age due, in part, to near-universal health coverage of Americans over 65. By excluding this population, we are better able to use the data to hone in on the characteristics most associated with reporting medical debt.



## Limitations of NFCS

The NFCS is a unique dataset that provides information that is not available elsewhere, but it has several limitations: (27)

- Survey responses are weighted to be representative of the total population in a given state and by age, gender, ethnicity, and education. Other sub-population estimates within states are not necessarily representative. For example, state-level estimates of adults reporting medical debt in Tennessee are a representation of the prevalence of medical debt in the state. However, the survey estimates by employment status may or may not be representative of all working vs. not-working Tennesseans.
- The possibility of error (i.e. sampling error, nonresponse error, coverage error, and measurement error) exists in all sample surveys like the NFCS. The NFCS does not use additional weighting to account for non-response bias.
- NFCS uses non-probability sampling from online panels. Survey respondents were recruited by Survey Sampling International, EMI online Research Solutions, and Research Now to join the panels and offered incentives to complete surveys. Because this method of sampling relies on self-selected respondents, it is more likely to be biased than a probability sampling.
- The NFCS provides estimates of the prevalence of medical debt, but it does not provide information about how much debt people have.
- Like many other surveys, the NFCS collects self-reported data and is vulnerable to response bias. Individuals may offer biased assessments of their behavior for various reasons (e.g. interpretations and/or misunderstanding of survey questions or desire to provide “acceptable” answers).



## Table A1. Complete Results of NFCS Data Analysis

NFCS Estimates of Percent of Tennesseans Aged 18-64 Who Had Past-Due Medical Bills by Demographic and Socioeconomic Characteristics

	2012	2015
<b>All Adults Ages 18-64</b>	37.8%	27.3%
<b><u>Age</u></b>		
18 -24 years old	30.6%	22.4%
25-34 years old	37.2%	29.0%
35-44 years old	44.6%	38.1%
45-54 years old	38.5%	23.9%
55-64 years old	35.4%	21.7%
<b><u>Sex</u></b>		
Male	29.6%	26.8%
Female	45.4%	27.8%
<b><u>Health Insurance*</u></b>		
Insured	36.1%	25.2%
Uninsured	43.3%	36.6%
<b><u>Race/Ethnicity</u></b>		
Non-Hispanic White	36.2%	26.2%
Non-White	42.0%	30.4%
<b><u>Marital Status*</u></b>		
Married	46.9%	29.2%
Living with Partner	36.2%	38.1%
Single	27.4%	23.3%
<b><u>Education Level</u></b>		
Less than high school	54.0%	44.5%
High school graduate	39.3%	26.5%
Some college, no degree	39.8%	37.4%
Associate's degree	23.7%	21.3%
Bachelor's degree	18.2%	15.7%
Post graduate degree		13.9%

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## Table A1. Complete Results of NFCS Data Analysis

NFCS Estimates of Percent of Tennesseans Aged 18-64 Who Had Past-Due Medical Bills by Demographic and Socioeconomic Characteristics

(continued from previous page)

	2012	2015
<b><u>Have an Emergency Fund*</u></b>		
Yes	17.6%	18.3%
No	47.2%	34.2%
<b><u># of Children in the Household*</u></b>		
No children	23.4%	19.0%
1	43.6%	34.6%
2	46.1%	36.3%
3	48.2%	46.2%
4 or more	49.1%	27.3%
<b><u>Household Income*</u></b>		
Less than \$15,000	41.4%	30.1%
\$15,000 - \$24,999	55.4%	33.0%
\$25,000 - \$34,999	38.6%	40.7%
\$35,000 - \$49,999	31.3%	33.0%
\$50,000 - \$74,999	39.9%	22.5%
\$75,000 - \$99,999	26.1%	18.8%
\$100,000 - \$149,999	23.3%	14.7%
\$150,000 or more	18.6%	5.6%
<b><u>Work Status*</u></b>		
Working	36.4%	27.7%
Not Working	39.5%	26.8%

\*Due to survey design, results may not be representative of the asterisked sub-populations in Tennessee.  
Source: The Sycamore Institute's analysis of FINRA Foundation 2015 National Financial Capability Study (3)

## Table A2. Results of NFCS Data Analysis on Medical Debt and Payday Lending

NFCS Estimates of Percent of Tennesseans Aged 18-64 Who Took Out Payday Loans in the Last 5 Years by Medical Debt Status

	2012	2015
<b>Individuals with medical debt</b>		
Took out payday loan	59.8%	51.1%
Did not take out payday loan	40.2%	48.9%
<b>Individuals without medical debt</b>		
Took out payday loan	30.9%	23.1%
Did not take out payday loan	69.1%	76.9%

Due to survey design, results may be not be representative of all sub-populations in Tennessee.

Source: The Sycamore Institute's analysis of FINRA Foundation 2015 National Financial Capability Study (3)