MEDICAL DEBT IN TENNESSEE

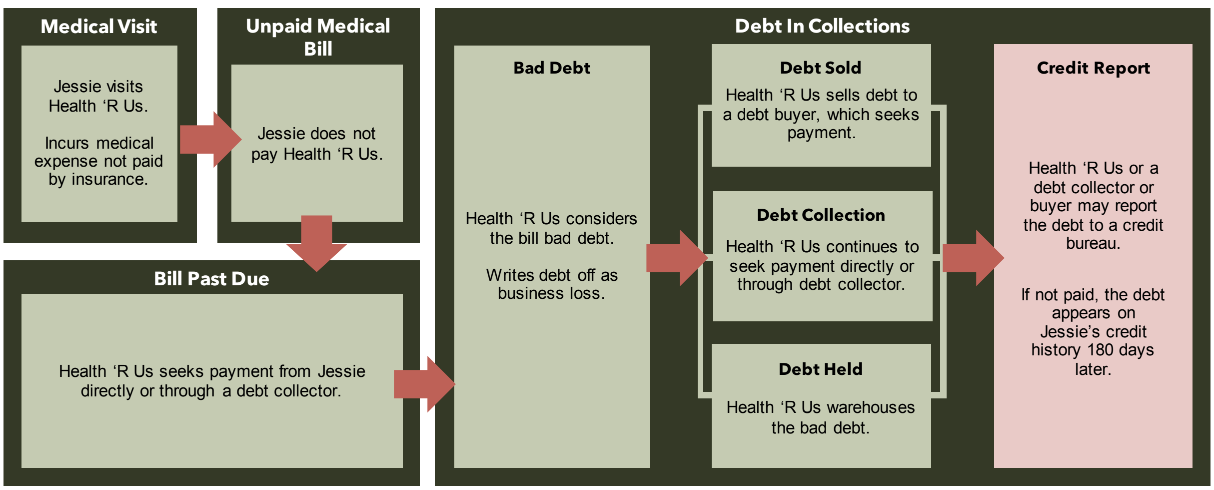
Causes, Effects, and State-Based Solutions

Medical debt is surprisingly common in and across Tennessee, appearing on one in four credit reports. It often results from circumstances tough to predict or control, and even small amounts can make it harder to get ahead. Here are the key points to know about medical debt in Tennessee.

Medical Debt 101

Medical debt is unique from other types of debt for its connection to health-related circumstances that individuals often cannot predict or control. When medical bills go unpaid, they are often sold to debt collectors and can be reported to credit bureaus (**Figure 1**). If reported to a credit bureau, debt can hurt a person's credit score, which lenders, employers, utilities, and others use to gauge financial reliability. Medical bills can also become debt when paid with loans, which may accrue higher costs than the original bill.

Figure 1. How a Medical Bill Becomes Medical Debt



Source: Adapted from Urban Institute

Who Has Medical Debt and Why Does It Matter?

24% of Tennesseans with a credit report had medical debt on their credit history in 2016 – the 10th highest rate in the U.S. (**Figure 2**). The median amount was $739. By county, the share with medical debt on their credit reports ranged from 10% to 43%, with the median ranging from $386 to $1,496 (**Figure 3**).

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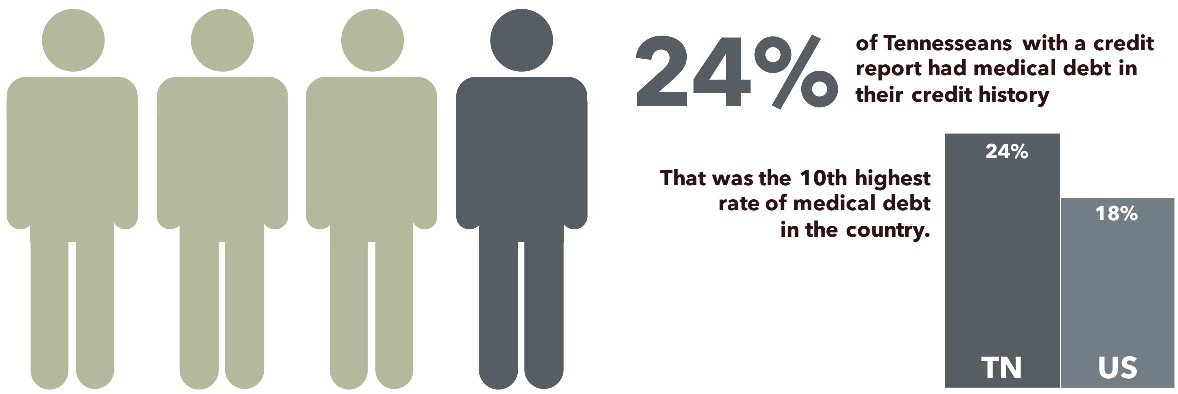
Available data suggest medical debt is common across most demographic and socioeconomic groups in Tennessee but more so among the uninsured, those with lower incomes or education levels, and people of color. Tennessee counties with higher rates of medical debt were more likely to have elevated rates of uninsured residents, auto/retail loans and delinquencies, and payday lenders per capita.

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. In addition, 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.

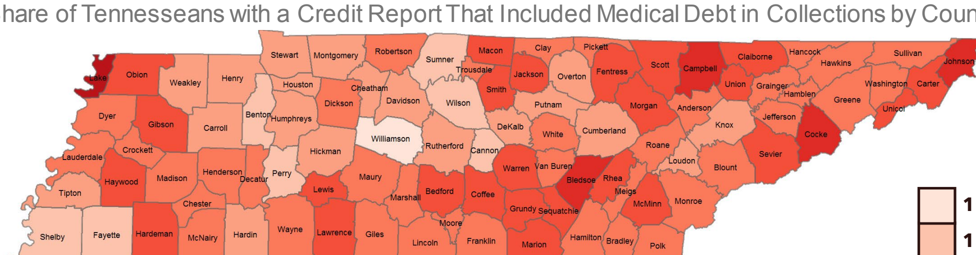
Figure 2. Medical Debt Hurt the Credit History of 1 in 4 Tennesseans with a Credit Report in 2016



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.
Source: 2016 credit bureau data via Urban Institute's Debt in America project

Figure 3. Across 95 Counties, 10% to 43% of Tennesseans Had Medical Debt on Their Credit Report in 2016

Share of Tennesseans with a Credit Report That Included Medical Debt in Collections by County (2016)



STATEWIDE: 24% ▶

- 10 - 15% (1 county)
- 15 - 20% (7 counties)
- 20 - 25% (19 counties)
- 25 - 30% (38 counties)
- 30 - 35% (25 counties)
- 35 - 40% (4 counties)
- 40 - 45% (1 county)

Counties with the Lowest Share:	
1. Williamson County	10%
2. Shelby County	18%
3. Benton County	19%
4. Cannon County	19%
5. Fayette County	19%

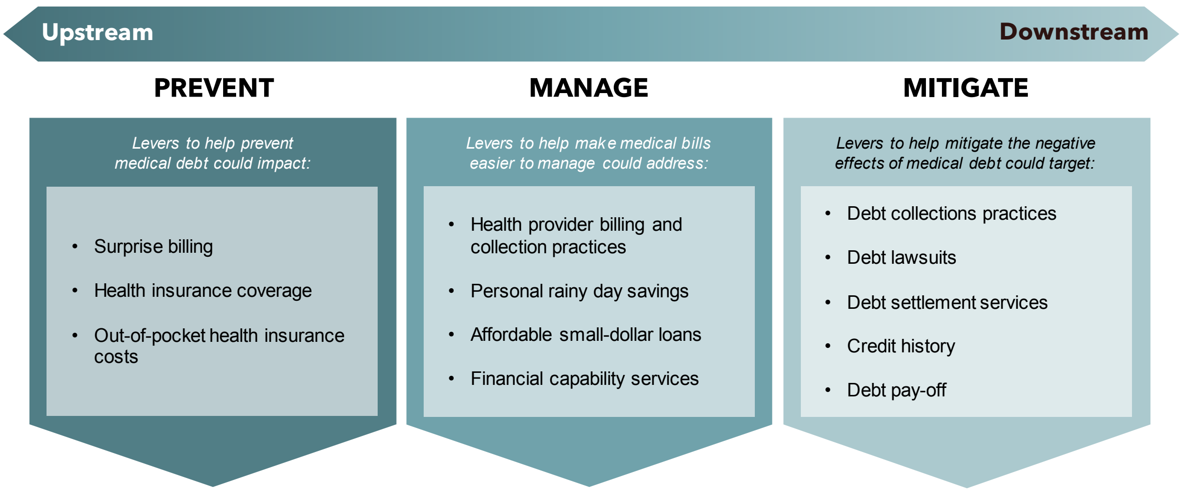
Counties with the Highest Share:	
91. Campbell County	35%
92. Cocke County	35%
93. Johnson County	36%
94. Bledsoe County	38%
95. Lake County	43%

Source: 2016 credit bureau data via the Urban Institute's Debt in America project

What Can Policymakers Do?

The complexities of medical debt offer policymakers a wide range of opportunities to prevent the problem, help people manage it, and mitigate its effects (**Figure 4**). There is no silver bullet for medical debt. While some options listed here may have more impact than others, none would address every aspect of the problem by themselves.

Figure 4. 12 Policy Levers to Address Medical Debt and Its Negative Effects in Tennessee



Source: The Sycamore Institute

Upstream Options to Prevent Medical Debt

Upstream policy levers that address surprise bills, access to coverage, and out-of-pocket insurance costs could help prevent many situations that cause medical bills to go unpaid.

- **Surprise Bills** — Curtailing surprise bills may help prevent medical debts that result from unexpected bills when patients visit in-network or emergency facilities but get treated by out-of-network providers. Policymakers could require insurers to pay out-of-network providers a predetermined or arbitrated rate, or they could regulate how providers bill patients and/or contract with insurers.

- **Health Insurance Coverage** – Getting more Tennesseans enrolled in health insurance could help those individuals to better afford health care services and avoid medical debt. For instance, a state reinsurance program could make some private plans more affordable. Another example is exploring ways to address delays, lapses, and gaps in coverage for low-income Tennesseans.

- **Out-of-Pocket Health Insurance Costs** – Offering patients tools to minimize their out-of-pocket health insurance costs could help prevent medical debt by making some medical bills more affordable. High out-of-pocket insurance costs may mean that even insured individuals end up with unpaid medical bills. Reducing out-of-pocket costs could be challenging, but some states have explored using price transparency measures as a way to help patients better shop for health care.

Midstream Options to Manage Medical Debt

Midstream options that address provider billing, personal savings, and access to financial capability services and affordable, small-dollar loans could make medical bills easier to manage.

- **Provider Billing and Collection Practices** – Changing provider billing and collection practices could help prevent, manage, and mitigate medical debt. For example, new rules and oversight could facilitate patients' access to financial assistance, payment plans, or insurance coverage for which they might be eligible. It could also shed light on providers' use of extraordinary collection practices (see Debt Lawsuits).

- **Personal Rainy Day Savings** – Facilitating and incentivizing personal savings could reduce debt and promote financial stability by helping Tennesseans use their own resources to better weather unexpected expenses. For example, connecting Tennesseans without bank accounts to traditional financial services could remove obstacles to saving when funds are available.

- **Affordable, Small-Dollar Loans** – Increasing access to affordable, small-dollar loans could help some individuals to better manage unexpected medical expenses and avoid a cycle of debt. Alternative financial products like payday loans can be expensive but help people fill income gaps or pay for unexpected expenses like medical bills. Policymakers could explore ways to make these kinds of resources available at a lower cost to people who rely on them.

- **Financial Capability Services** – Improving access to services like financial literacy classes and one-on-one counseling and coaching could help people prepare for and manage debt if and when it occurs. For example, both Memphis and Nashville support financial empowerment centers that provide one-on-one financial counseling for people with low-incomes. Available data show that Nashville's center has improved financial outcomes for its clients.

Downstream Options to Mitigate Medical Debt

Downstream policies that affect debt collection practices and lawsuits, risky debt settlement services, the use of credit history, and debt pay-off could help mitigate the negative effects of medical debt. Unpaid medical bills can become indistinguishable from most other types of consumer debt once they are purchased by a debt buyer (**Figure 2**). For this reason, many of the downstream options address debt generally or offset the negative effects of bad debt.

- **Debt Collection Practices** – Reining in some debt collection practices could improve debt repayment outcomes and reduce debt-related stress among Tennesseans with unpaid medical bills. Policymakers could explore ways to revise existing rules for debt collectors, like expanding to whom the rules apply, limiting interest rates, and including new modes of communication.

- **Debt Lawsuits** – Addressing certain aspects of debt collection lawsuits could reduce some of the negative financial and legal fallout from medical debt. For example, national research suggests that many of these lawsuits go unchallenged. Policymakers could look at ways to expand access to legal representation or support tools for people to represent themselves.

- **Debt Settlement Services** — Greater oversight of debt settlement services could protect people looking for manageable ways to pay off their debts. Existing law provides protections for consumers using these services, but national cases show that many companies continue to engage in fraudulent practices. Tennessee policymakers could explore ways to add more protections while expanding access to less risky services like financial counseling.

- **Credit History** – Limiting how medical debt affects a person's credit history could address a potential significant obstacle to their financial stability and economic mobility. For example, state law already excludes medical debt from the information that can be used to set home and auto insurance terms and premiums. State lawmakers could consider additional limits for when medical debt can be reported to a credit bureau and how medical debt-related credit history information can be used.

- **Debt Pay-Off** – Paying off debts directly could reduce financial burdens on affected individuals and improve their economic security, potentially for less than the debt's face value. For example, one national nonprofit uses charitable donations to buy and forgive resold medical debt for low-income and financially insecure individuals.

Resources to Learn More

Read the full series for more in-depth analysis and full lists of sources and citations:

Medical Debt 101
https://www.sycamoreinstitutetn.org/medical-debt-101/

Medical Debt in Tennessee: Who Has It and Why Does It Matter?
https://www.sycamoreinstitutetn.org/medical-debt-tennessee/

Medical Debt Across Tennessee's 95 Counties
https://www.sycamoreinstitutetn.org/medical-debt-tn-counties/

Medical Debt in Tennessee: 12 Options for State Policymakers
https://www.sycamoreinstitutetn.org/medical-debt-policy-options/

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