

# Medical Debt in Arizona

## The Extent of the Problem



# Medical Debt in Arizona

## The Extent of the Problem

THIS REPORT WAS PREPARED BY  
PATRICIA HERMAN, N.D, PH.D.  
EVALUATION, RESEARCH AND DEVELOPMENT UNIT, THE UNIVERSITY OF ARIZONA  
PO BOX 210462, TUCSON, AZ 85721-0462  
PH 520.318-7259 | FX 520.318.7252 | WWW.EVALRDU.ORG

January 2010

FUNDED BY ST. LUKE'S HEALTH INITIATIVES  
2929 NORTH CENTRAL AVENUE, SUITE 1550, PHOENIX, AZ 85012  
PH 602.385.6500 | FX 602.385.6510 | WWW.SLHI.ORG

SPECIAL THANKS AND APPRECIATION ARE EXTENDED TO  
JILL RISSI, PH.D.  
DIRECTOR OF THE ARIZONA HEALTH SURVEY  
ASSOCIATE DIRECTOR OF RESEARCH AND POLICY, ST. LUKE'S HEALTH INITIATIVES

# Table of Contents

- Introduction .....4
- Measures of Medical Debt Used in This Report.....5
- The Extent of the Problem in Arizona .....5
- The Face of Medical Debt in Arizona.....6
- Size of Current Medical Debt.....8
- Discussion .....9
- Summary .....9
- References .....10

# List of Tables

- Table 1: The size of the medical debt problem – percent (estimated number) reporting each.....5
- Table 2: Medical debt by demographic category (Arizonans 18 to 64 years of age) .....7
- Table 3: Medical debt by health status (Arizonans 18 to 64 years of age) .....8
- Table 4: Size of the medical debts currently being paid by Arizonans- percent (estimated number) .....8

# List of Figures

- Figure 1: Financial hardship due to medical debt for Arizonans 18 to 64 years reporting each type of problem .....6

## Introduction

Financial hardship due to out-of-pocket medical expense is a large and growing problem in the US. In 2007, it was estimated that 19 percent of the population had problems paying medical bills, up from 15 percent in 2003.<sup>1</sup> Another study in the same year estimated that 41 percent of the population aged 19 to 64 had problems paying medical bills, accrued debt, or both in 2007.<sup>2,3</sup> This estimate is up from 34 percent in 2005.

Under the US health care system the diagnosis of a serious illness or a medical emergency can result in significant out-of-pocket medical expense regardless of the individual's income bracket or health insurance status. In fact, studies have found that paying medical bills is a problem for a substantial portion of both the insured and the uninsured, and those across a wide range of ages and income levels.<sup>1-6</sup> Medical debt is also more damaging than other types of consumer debt—at least to some extent because medical bills are often incurred through an illness or injury that also limits ability to work. Problems paying out-of-pocket medical costs have been found to be associated with higher credit card debt,<sup>7</sup> increased bankruptcy rates,<sup>7-9</sup> more calls from bill collectors than those with other types of debt,<sup>7</sup> and diminished access to care.<sup>1,4-6</sup>

This report is the first in a series designed to explore the prevalence, predictors and consequences of medical debt in Arizona. These reports are based on data from the 2008 adult Arizona Health Survey (AHS 2008), a comprehensive survey of 4,200 households designed to assess health insurance coverage, status, behaviors, and social and environmental factors that affect population health.<sup>10</sup>

## Measures of Medical Debt Used in This Report

Several items in AHS 2008 relate to problems paying medical bills, medical debt, and the financial hardships caused by each. All survey respondents were asked to answer “yes” or “no” to the following two items, which are similar to items used on two national surveys:<sup>1, 2</sup>

1. During the past 12 months, were you unable to pay or did you have problems paying for medical bills, either for yourself or any family member in your household?
2. Are you currently paying off any medical bills?

All respondents who answered “yes” to at least one of these questions were then asked to answer “yes” or “no” to each the following series of items regarding financial hardship:

- Because of these medical bills, were you unable to pay for basic necessities like food, utilities, or rent?
- Because of these medical bills, did you take on credit card debt?
- Because of these medical bills, did you take out a loan or use up your savings?
- Because of these medical bills, did you declare bankruptcy?

In addition, those who answered “yes” to the item about currently paying off medical bills were also asked: What is the total amount of medical bills that you are paying off over time? Responses were given as ranges of dollar amounts.

## The Extent of the Problem in Arizona

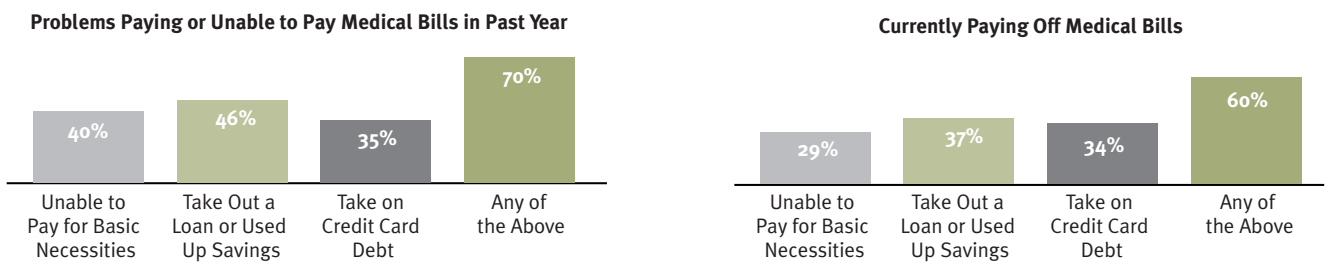
In 2008, 26 percent of Arizona adults were currently paying off medical bills or had problems paying medical bills in the past year (Table 1). The problem was larger (29%) for adults under 65 years of age. One-fifth (20%) of those aged 18 to 64 years report that in the past year they had problems paying or were unable to pay their medical bills. A similar percent reported that they were currently paying off medical bills, and 10 percent reported both. The prevalence of these problems was substantially lower for Arizonans aged 65 and over, likely due to the availability of Medicare.

**Table 1: The size of the medical debt problem – percent (estimated number) reporting each**

	<b>Problems Paying or Unable to Pay Medical Bills in Past Year</b>	<b>Currently Paying Off Medical Bills</b>	<b>Problems Paying OR Currently Paying Off Medical Bills</b>	<b>Both Problems Paying AND Currently Paying off Medical Bills</b>
Arizonans 18 years or older	17% (813,559)	17% (816,363)	26% (1,214,219)	9% (415,704)
Arizonans 65 years or older	7% (813,559)	10% (816,363)	13% (117,329)	4% (34,423)
Arizonans 18 to 64 years of age	20% (748,311)	19% (729,861)	29% (1,096,890)	10% (381,281)

What constitutes a “problem” in paying off medical bills likely differs across individuals, and according to these data only half of those “currently paying off medical bills” reported a problem. However, the majority of each group also reported some sort of financial hardship due to these bills (Figure 1). Those reporting *problems* paying medical bills in the past year were more likely than those paying off current medical bills to be unable to pay for basic necessities and to have to take out a loan or use up savings because of these bills.

**Figure 1: Financial hardship due to medical debt for Arizonans 18 to 64 years reporting each type of problem**



Compared to national estimates, a smaller portion of Arizonans appear to have problems with medical bills—17 percent of adult Arizonans report problems paying medical bills compared to 19 percent nationally,<sup>1</sup> and 29 percent of Arizonans 18 to 64 years of age report medical bill problems, debt or both compared to 41 percent nationally.<sup>2</sup>

Arizonans also may be less likely to experience financial hardship because of medical bills. Of adults reporting in a national survey that they had difficulty paying medical bills, 65 percent reported that they had problems paying for other necessities, 62 percent took money out of savings, 53 percent borrowed money, 20 percent thought about filing for bankruptcy, and 4 percent did file for bankruptcy.<sup>1</sup> Comparable estimates for adult Arizonans are that 39 percent were unable to pay for basic necessities, 46 percent took out a loan or used up savings, and 3 percent filed for bankruptcy (data not shown). Of Americans 19 to 64 years of age who reported problems paying medical bills, had current debt, or both, 29 percent report that they are unable to pay for basic necessities (food, heat, or rent) because of medical bills, and 30 percent took on credit card debt. Comparable estimates for Arizonans 18 to 64 years of age are slightly higher at 31 percent unable to pay for basic necessities, and 33 percent taking on credit card debt.

Note that although 3 percent may seem like a low rate of bankruptcies, it is three times the national average, at the time of the survey.<sup>11</sup> It is also possible that the rate of bankruptcy is under-reported in the 2008 AHS. When 12 years of estimates based on the results of an annual national panel survey were compared to actual numbers of bankruptcy filings each year, it was shown that the survey-based results consistently under-estimated actual filings by one half.<sup>12</sup> Other studies have also shown a relationship between medical debt and bankruptcy. Approximately half of those filing for bankruptcy and of those seeking professional help for debt management report that medical bills contributed to their debt problems.<sup>8, 13</sup>

## The Face of Medical Debt in Arizona

Medical debt, problems paying medical bills, and the hardships they create are widely distributed across all household types, ages, income levels, ethnicity groups, and health status. However, the impact on some demographic groups is even more pronounced. Medical bills and current debt are more common in households headed by single females or couples, or households with children than in households with single male heads or without children (Table 2). Across age groups, middle-aged Arizonans report the highest prevalence of medical debt. This may be because younger adults tend to be healthy and less likely to incur significant medical expenses, and older adults still in the workforce are more likely to have adequate insurance and sufficient financial resources.

Arizonans 18 to 64 years of age in the highest and lowest annual income categories experienced medical bill and debt problems less often than those in the middle income categories. Probably because of better access to credit, those with annual incomes of \$60,000 or more were more likely to be paying off current medical bills than having problems paying bills in the past year. Those with incomes less than \$10,000 reported the opposite. In either case, these two income categories reported overall rates of medical bill and debt problems of about half that seen in the income categories between \$10,000 and \$60,000.

National estimates of medical bill problems by income category are higher than those seen in Arizona, although they demonstrate a similar pattern, with those in the middle income brackets the most likely to report problems. Nationally, 53 percent of adults 19 to 64 years of age with annual incomes below \$20,000 report problems paying medical bills, accrued medical debt, or both.<sup>2, 3</sup> For those with incomes between \$20,000 and \$39,999 the estimate is 56 percent, for those with incomes between \$40,000 and \$59,999 it is 39 percent, and it is 25 percent of those with incomes \$60,000 and above.

**Table 2: Medical debt by demographic category (Arizonans 18 to 64 years of age)**

Percent (estimated number*) of each of the categories below who have:	Problems paying or unable to pay medical bills in past year	Currently paying off medical bills	Both problems paying AND currently paying off medical bills	Problems paying OR currently paying off medical bills
<b>Household head and children</b>				
Single female	25% (209,797)	20% (126,504)	12% (74,427)	33% (157,719)
Single male	14% (93,633)	12% (78,751)	4% (29,447)	21% (142,937)
Married/couple	20% (496,207)	21% (523,853)	11% (276,655)	30% (743,405)
Children in household	23% (465,726)	22% (446,103)	11% (234,927)	33% (676,903)
No children in household	16% (281,089)	16% (283,757)	8% (146,354)	24% (418,492)
<b>Age in years</b>				
18-29	18% (188,865)	14% (147,048)	7% (70,745)	26% (265,169)
30-39	24% (208,008)	23% (198,491)	13% (109,390)	34% (297,109)
40-49	22% (189,971)	23% (197,524)	12% (104,535)	32% (282,961)
50-64	16% (161,172)	18% (186,502)	9% (96,317)	24% (251,357)
<b>Household annual income</b>				
Under 10k	21% (48,724)	9% (21,791)	7% (17,493)	22% (53,023)
10-20k	34% (151,491)	19% (877,718)	14% (62,112)	39% (177,096)
20-40k	30% (235,007)	26% (199,882)	16% (124,066)	40% (310,823)
40-60k	23% (128,820)	23% (133,162)	12% (66,431)	34% (195,550)
More than 60k	9% (120,655)	17% (227,804)	6% (79,087)	20% (269,372)

\*The numbers contained in parentheses in each cell may not always add up to expected totals in this or previous tables due to missing data.

Given the fact that the same illnesses that can cause large medical bills can also limit the ability to work, it is not surprising that those who rate their health as fair or poor, and those with a chronic health condition would also have more medical bill problems (Table 3). Consistent with what was seen nationally, in Arizona the rate of medical bill problems is about twice as high in those reporting fair or poor health (47%) than in the population as a whole (29%).<sup>5</sup> These problems are more common for those with chronic psychological conditions than those with chronic physical conditions.

Hispanic Arizonans report a higher prevalence of problems paying medical bills but a lower prevalence of current medical debt than non-Hispanic Arizonans. Further analysis is being performed to discern the factors behind this result (see later reports in this series).

**Table 3: Medical debt by health status (Arizonans 18 to 64 years of age)**

Percent (estimated number*) of each of the categories below who have:	Problems paying or unable to pay medical bills in past year	Currently paying off medical bills	Both problems paying AND currently paying off medical bills	Problems paying OR currently paying off medical bills
Fair or Poor health	38% (261,548)	28% (191,079)	18% (128,328)	47% (324,299)
Good to Excellent health	16% (486,763)	17% (538,781)	8% (252,953)	25% (772,591)
Have chronic physical condition	26% (461,743)	24% (432,979)	14% (251,945)	35% (642,777)
Have chronic psychological condition	36% (215,316)	27% (162,464)	18% (108,866)	44% (268,914)
Have any chronic condition	26% (516,118)	23% (470,259)	13% (268,272)	35% (718,105)
No chronic condition	13% (232,192)	15% (259,602)	6% (113,009)	21% (378,785)

\*The numbers contained in parentheses in each cell may not always add up to expected totals in this or previous tables due to missing data.

## Size of Current Medical Debt

About one half of those who are currently paying off medical bills are paying bills of less than \$2,000 (Table 4). Almost 14 percent are paying off bills of \$8,000 or more, and over 10 percent either did not know the amount of their debt or refused to disclose it. Single female heads of households and those aged 60 to 64 years are the most likely to be paying off medical bills of \$2,000 or less, and the least likely to be paying off bills of \$8,000 or more. However, the most troubling results are that medical bills of \$8,000 or more are most common for the poorest (those making less than \$10,000 annually), and the youngest (adults aged 18 to 29 years) Arizonans. Neither of these groups' members are likely to have the resources to bear significant debt (data not shown).

**Table 4: Size of the medical debts currently being paid by Arizonans – percent (estimated number)**

	ALL CURRENTLY PAYING OFF MEDICAL DEBT		
	Adults 18 years and older	Adults 65 years and older	Adults 18 to 64 years
Total population in each group	100% (816,363)	100% (86,502)	100% (729,861)
<b>Paying off current medical bills of:</b>			
\$1,999 or less	51% (418,660)	51% (44,070)	51% (374,589)
\$2,000 to \$3,999	15% (121,317)	13% (11,406)	15% (109,912)
\$4,000 to \$7,999	11% (88,931)	10% (8,495)	11% (80,436)
\$8,000 or more	14% (112,486)	15% (13,799)	14% (99,687)
Don't know	7% (58,323)	11% (9,267)	7% (49,055)
Refused	2% (16,646)	1% (465)	2% (16,182)

The size of the medical debts currently being paid off in Arizona is similar to that seen nationally. The total amount of the medical bills being paid nationally by those with current medical debt was less than \$2,000 for over 50 percent of Americans and less than \$5,000 for over 75 percent.<sup>1</sup> For adults 19 to 64 years of age across the country, 51 percent of those with current medical debt report debt of less than \$2,000, 21 percent report between \$2,000 to \$3,999, 12 percent report between \$4,000 and \$7,999, and 12 percent report \$8,000 or more.<sup>2</sup> Ten percent report bills of \$10,000 or more.<sup>3</sup> Although these debt amounts may appear relatively manageable, national respondents citing medical bills as a reason for their bankruptcy reported an average of \$3,700 in out-of-pocket medical expenses in the previous year.<sup>8</sup>

The total amount of debt should also be noted. Taking only the estimated number of Arizonans 18 to 64 years of age who reported medical debt of \$8,000 or more (about 100,000) and assuming for ease of calculation that their average debt is \$10,000, this group alone represents \$1 billion in outstanding medical debt in Arizona. Assuming average values for each of the other range categories adds another \$1 billion for a total estimate of about \$2 billion in current medical debt for Arizonans of 18 to 64 years of age. The same calculation for all adult Arizonans yields a total estimate of \$2.4 billion. (These amounts both ignore the 10 percent who did not know or refused to give the amount of their current medical bills.)

## Discussion

As discussed above, almost anyone can incur substantial out-of-pocket medical expenses in the face of a serious illness or injury. For some—presumably those with sufficient financial resources—these expenses are not a problem; for others they can be devastating. The questions asked in the AHS 2008 were designed not to measure the size of out-of-pocket medical expenses, but to measure the extent to which these expenses are overwhelming the financial resources of Arizonans.

Although not as prevalent as seen nationally, medical debt and problems paying medical bills are significant issues for Arizonans. For some, paying off current medical bills, for example, through a credit card, may be no trouble at all, and for others bill-paying problems may be minor. However, it is a matter of concern that two-thirds of the Arizona adults who report one or both of these also report significant financial hardship. Almost 10 percent of *all* Arizona adults 18 to 64 years of age report that because of medical bills they are unable to pay for basic necessities like food, utilities, or rent (data not shown). Similar numbers report that they had to take on credit card debt to pay their medical bills, or had to take out a loan or use up savings. The problem is generally widespread across demographic groups, but seems to disproportionately afflict adults in middle-age and middle income-categories, and those in the poorest health.

There is evidence that medical debt is more damaging than other types of consumer debt. One reason is because medical bills are often incurred through an illness or injury that also limits ability to work.<sup>8,13</sup> Employment provides income to pay bills, but is also often an individual's or family's only source of healthcare coverage. This is believed to be the reason why those with medical debt are more likely to file for bankruptcy, and why those with medical bills seek credit counseling with lower average debt amounts than those without.<sup>8,13</sup> Those with medical debt are also more likely than those with other types of debt to receive calls from bill collectors.<sup>4,7</sup> However, potentially most damaging in the long run is the fact that medical debt can reduce access to needed health care services.<sup>1,4-6</sup>

## Summary

Medical debt is a significant and wide-spread problem in Arizona that causes substantial financial hardship. Although half of those who are currently paying off medical bills report bills of \$2,000 or less, we estimate that the total current medical debt in Arizona is over \$2 billion. Future reports in this series on medical debt will examine the role of health insurance, and the predictors and consequences of medical bill problems in Arizona.

# References

- 1 Cunningham PJ. *Trade-offs getting tougher: problems paying medical bills increase for U.S. families, 2003-2007*. Center for Studying Health System Change; 2009 Sep. Report No.: 21.
- 2 Doty MM, Collins SR, Rustgi SD, Kriss JL. Seeing red: the growing burden of medical bills and debt faced by U.S. families. *Issue Brief (Commonwealth Fund)* 2008 August;42:1-12.
- 3 Collins SR, Kriss JL, Doty MM, Rustgi SD. Losing ground: how the loss of adequate health insurance is burdening working families: Findings from the Commonwealth Fund Biennial Health Insurance Surveys, 2001-2007. Fund Report 2008 August; 99 Available at: URL: [http://www.commonwealthfund.org/usr\\_doc/Collins\\_losinggroundbiennialsurvey2007\\_1163.pdf?section=4039](http://www.commonwealthfund.org/usr_doc/Collins_losinggroundbiennialsurvey2007_1163.pdf?section=4039)
- 4 Doty MM, Edwards JN, Holmgren AL. Seeing red: Americans driven into debt by medical bills. Results from a national survey. *Issue Brief (Commonwealth Fund)* 2005;837:1-12.
- 5 May JH, Cunningham PJ. Tough trade-offs: medical bills, family finances and access to care. *Issue Brief (Center for Studying Health System Change)* 2004;85:1-4.
- 6 Tu HT. Rising health costs, medical debt and chronic conditions. *Issue Brief (Center for Studying Health System Change)* 2004;88:1-5.
- 7 Zeldin C, Rukavina M, Access P, Demos. *Borrowing to Stay Healthy: How Credit Care Debt is Related to Medical Expenses*. Demos; Access Project; 2007.
- 8 Himmelstein DU, Warren E, Thorne D, Woolhandler S. Illness and injury as contributors to bankruptcy. *Health Affairs* 2005;24(1).
- 9 Jacoby MB, Sullivan TA, Warren E. Medical problems and bankruptcy filings. *Harvard Law School Public Law and Legal Theory Working Paper Series* 2000;8.
- 10 St. Luke's Health Initiatives. AZ Health Survey. *St Lukes Health Initiatives* 2009; Available at: URL: <http://www.arizonahealthsurvey.org/>. Accessed February 10, 2009.
- 11 American Bankruptcy Institute. Total bankruptcy filings increase nearly 38 percent in 2007. *Press Releases* 2008 April 15; Available at: URL: <http://www.abiworld.org>.
- 12 Fay S, Hurst E, White MJ. The household bankruptcy decision. *American Economic Review* 2002;92(3):706-18.
- 13 Gurewich D, Prottas J, Seifert R, Seager S. Medical debt and consumer credit counseling services. *Journal of Health Care for the Poor and Underserved* 2004; 15:336-46.