



**FINAL NOTICE**

# MEDICAL BILL

Date	Procedure	Code	Billed amount
06/04/2014	Hip Surgery	H59404	
06/04/2014	X-Ray	X123	
06/04/2014	Anesthesia	A51007	
06/11/2014	Lab Test	L234	
06/11/2014	Lab Test	L9876	
06/11/2014	Recovery Surgery	R54321	
06/11/2014	X-Ray	X234	
06/11/2014	Lab Test	L567	
06/11/2014	Medication	M890	
06/11/2014	Medication	M123	
<b>TOTAL</b>			<b>27,020.00</b>

## | Unhealthy Debt

Medical costs and bankruptcies in Oregon

# Unhealthy Debt

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Medical costs and bankruptcies in Oregon



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**FALL 2021**

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# Executive summary

**THE HIGH COST OF HEALTH CARE** imposes a steep burden on Oregon consumers. Expensive monthly insurance premiums, high deductibles, and expenses not covered by insurance all add to the strain on Oregonians' finances, leaving them more vulnerable to other financial problems. This report describes the onerous fiscal toll health care costs impose on Oregonians – as observed in bankruptcy data – and identifies policies to help reduce the high cost of care, including implementation of a public option health plan.

The analysis in this report is based on nearly 8,000 Chapter 7 and Chapter 13 bankruptcy filings in Oregon in 2019. These filings contained detailed information

about each consumer's income, debts and creditors. Bankruptcy filings do not reveal why a consumer decided to file for bankruptcy or whether a consumer had health insurance, but they nonetheless permit a detailed analysis of medical debts.

One indication of the financial burden of health care is the number of Oregonians filing for bankruptcy who report having medical debt. **In 2019, at least 60% of Chapter 7 and Chapter 13 bankruptcy filings in Oregon included medical debt.**

**Many bankruptcy filers reported having large amounts of medical debt. Of bankruptcy filers who had medical debt, more than 600 (15%) reported having over \$10,000 of medical debt.**

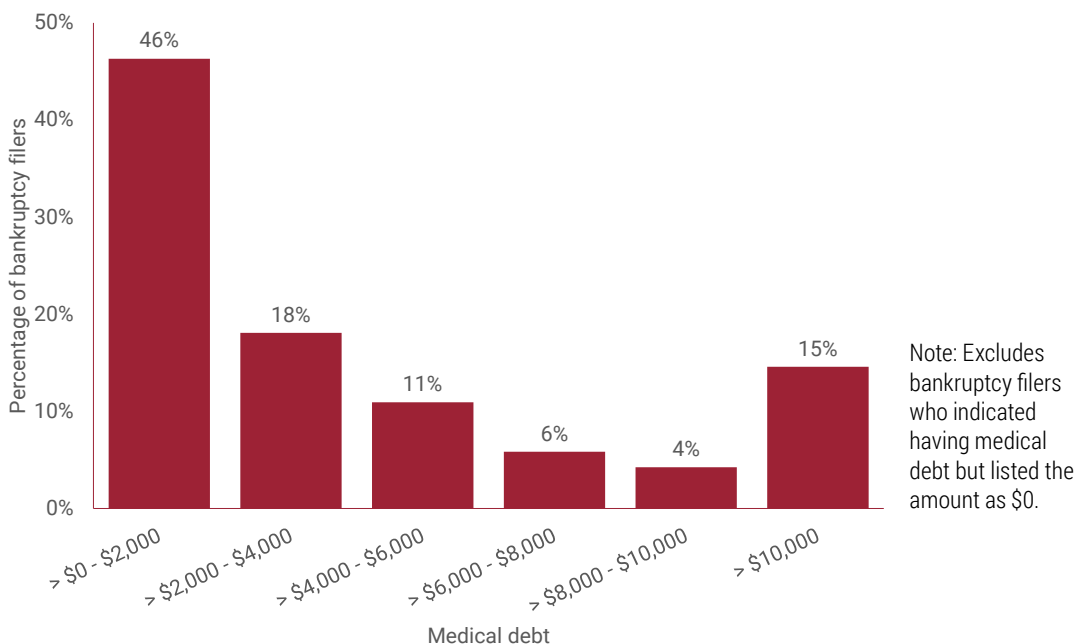


Figure ES-1. Distribution of medical debt levels (among filers with medical debt)

- The median medical debt among those with medical debt was \$2,326.\*
- Two bankruptcy filers reported more than \$500,000 of medical debt.

**Medical debt affected bankruptcy filers at all income levels. In some cases, bankruptcy filers reported total debt that exceeded their annual income.**

- The median annual income of filers who reported medical debt was \$36,530, but in each income bracket below \$100,000 per year the majority of filers had medical debt.
- 155 bankruptcy filers (3% of filers with medical debt) reported medical debt that was more than their annual income. Approximately 2,300 bankruptcy filers listed medical debts that totaled 5% or more of their annual income in the year they filed for bankruptcy.†

\* The calculation of the median debt excludes bankruptcy filers who indicated they had medical debt but listed the amount as \$0. Bankruptcy filers may do this if their debt has been sent to a collection agency, but they nonetheless want a specific creditor notified that they are seeking bankruptcy protection.

† Excludes 72 bankruptcy filers who had medical debt but listed \$0 in annual income.

**Medical debt is a problem across the state.**

In every county where consumers filed for bankruptcy, they reported medical debt. In Oregon’s 10 most populous counties, the percentage of filers who had medical debt ranged from 52% to 69%, and the median amount of debt ranged from \$1,723 to \$3,664.‡ In general, consumers in counties with a higher percentage of filers with medical debt also reported greater median amounts of debt. See Table ES-1.

**Bankruptcy filers most often reported owing money to the issuer of a health care-specific credit card and to large networks of hospitals and health care providers.**

- The single most frequently listed medical debt holder in Oregon was not a health care provider, but rather CareCredit from Synchrony Bank, a credit card for health care.<sup>1</sup>
- Forty percent of medical debt could be attributed to the 10 health care networks that were most frequently listed in bankruptcy filings. Health care networks

‡ The calculation of the median debt excludes bankruptcy filers who indicated they had medical debt but listed the amount as \$0.

**TABLE ES-1. BANKRUPTCY FILINGS FOR THE 10 MOST POPULOUS OREGON COUNTIES**

Population rank	County (major city)	Total bankruptcy filers	Filers with medical debt		Median medical debt	
			Percent	Rank	Amount	Rank
1	Multnomah (Portland)	1,223	52%	10	\$1,723	10
2	Washington (Hillsboro)	1,079	59%	8	\$2,154	8
3	Clackamas (Lake Oswego)	757	57%	9	\$2,260	6
4	Lane (Eugene)	758	66%	3	\$2,976	4
5	Marion (Salem)	956	60%	6 (tie)	\$2,195	7
6	Jackson (Medford)	414	62%	5	\$2,048	9
7	Deschutes (Bend)	454	60%	6 (tie)	\$3,142	3
8	Linn (Albany)	353	69%	1	\$3,664	1
9	Douglas (Roseburg)	204	67%	2	\$2,264	5
10	Yamhill (McMinnville)	201	65%	4	\$3,400	2

Note: The calculation of the median debt excludes filers who indicated they had medical debt but listed the amount as \$0.

are large hospital systems and their affiliated providers.

One reason so many consumers filing for bankruptcy in Oregon have medical debt is that **both health care and health insurance are expensive**. Paying for insurance can strain household budgets, leaving consumers on shakier financial ground if they face an unexpected expense, medical or otherwise.<sup>2</sup>

- Health care spending in Oregon in 2018 totaled \$30.7 billion, more than \$7,300 per person.<sup>3</sup>
- Health insurance is expensive. Oregonians who buy insurance through the individual insurance market faced an average monthly premium for a benchmark plan of \$443 in 2019, before subsidies.<sup>4</sup> Employees with family coverage through an employer paid a monthly average of \$450 toward their insurance premiums in 2019.<sup>5</sup>
- In light of these costs, some Oregonians may forgo buying insurance. Six percent of Oregonians lacked health insurance in 2019.<sup>6</sup>

Having **health insurance does not fully protect Oregon consumers** from additional health care expenses.

- As of 2016, nearly half of Oregonians who received insurance through their employer had high-deductible plans that required them to pay significant amounts before insurance began to cover medical expenses.<sup>7</sup> On average, Oregonians have the third-highest deductibles in the nation, averaging nearly \$4,000.<sup>8</sup>
- A national study conducted in 2019 by the Kaiser Family Foundation found that one-third of all insured adults had difficulty affording their deductibles, and over half of those on the highest deductible plans lacked adequate personal savings to pay off their deductibles.<sup>9</sup>

- When consumers have trouble paying medical bills, they may take on debt or spend down their savings, leaving them financially vulnerable.<sup>10</sup> A recent poll found that the more than one-third of Oregonians who struggled to pay recent medical bills used strategies to cover their expenses that could leave them vulnerable, including using up most or all of their savings, borrowing money or getting another mortgage, and taking on large amounts of credit card debt.<sup>11</sup>

To help consumers, Oregon policymakers should pursue a variety of policies to reduce the high cost of health care.

- Oregon should **implement a public option health plan** that lowers costs by reducing insurance premiums and other out-of-pocket expenses. The state recently passed a bill directing the Oregon Health Authority and the Department of Consumer and Business Services to design a public option plan, and to submit any legislative changes for approval in 2022.<sup>12</sup> There are a variety of ways to lower costs with a public option, including having the state set provider reimbursement rates within the public option, or instituting a fixed payment to providers for each public option patient they care for. A study of how a public option might be structured in Oregon found that it could offer lower insurance premiums, and a national analysis found that a public health insurance option could reduce provider prices and increase competition in the insurance market.<sup>13</sup>
- To slow the growth in health care costs, Oregon has adopted a health care cost growth target for all providers and insurers.<sup>14</sup> The state **should craft strong rules to enact its recently passed accountability mechanisms for the growth target**. Performance improvement plans and financial penalties will only be effective if they are meaningful and enforced.

# | Introduction

**THE DAMAGE FROM** the high cost of health care in Oregon manifests itself in many ways. OSPIRG's Voices for Better Care project has collected stories from Oregonians who grapple with the high cost of health care and health insurance.<sup>15</sup> They report taking on debt, struggling with premiums, and avoiding care for fear of the cost. For some Oregonians, balancing medical expenses with everything else is unsustainable, and they end up filing for bankruptcy.

Some Oregonians reported taking on debt just to pay for insurance. Marilyn H. wrote that “[b]ecause this [her monthly premium] costs more than what I was bringing home, we ended up borrowing money and running up our home equity line of credit.”<sup>16</sup>

Some have told us about incurring debt to pay for medical care, and spending years paying it off. Kira S.'s family, who couldn't afford health insurance due to the high costs of premiums, is paying off debt from her medical procedures four years after the fact.<sup>17</sup>

Other Oregonians told us they are reluctant to seek medical care because of the high cost. Nikki R. says she learned this lesson at a

young age, when she passed out at school and her teacher called 911. When her father received the bill he told her, “[u]nless you are really hurt, you cannot just call an ambulance. This is going to cost me \$600 out of pocket!” To this day she tries to limit doctors' visits for fear of owing debt for procedures she can't afford.<sup>18</sup>

These stories are repeated thousands of times across the state. This report documents that some Oregonians have experienced such financial hardship – including from medical expenses – that they've had to declare bankruptcy.

This report details the medical debts of those who lost the struggle to pay off what they owed – medical and otherwise – and filed for bankruptcy. Though medical expenses may not have been what precipitated their bankruptcy filings, the majority of filers report medical expenses in the debts they owe. This data, and the stories of people like Marilyn, Kira and Nikki, provide evidence of how the high cost of health care and medical insurance burdens Oregonians.



# Sixty percent of consumer bankruptcy filings in Oregon in 2019 included medical debt

TO ILLUMINATE ONE WAY in which the high cost of health care affects Oregonians financially, this analysis examines bankruptcy filings from 2019. It is based on nearly 8,000 Chapter 7 and Chapter 13 bankruptcy filings that were analyzed for medical debt versus other kinds of debt.<sup>19</sup>

People file for bankruptcy when their liabilities outstrip their ability to repay their debts. Bankruptcy filings include detailed information about each consumer's income, debts and creditors. Bankruptcy filings do not reveal why a consumer decided to file for bankruptcy, such as an unexpected health care bill, nor do they reveal in what order the debts were incurred, but they do allow for an examination of many of the medical debts that consumers carry with them into bankruptcy.

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## FILINGS VERSUS FILERS

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THIS REPORT is an analysis of bankruptcy filings, the records submitted to a court by consumers seeking bankruptcy protection. When referring to the records, we use the term "filing" and when referring to the people who submitted those filings we use the term "filers." When we mention the number of filers, we treat each filing as if it represented just one individual, though we know that in some cases two people submitted a filing together.

Bankruptcy data also understate the severity of the financial burdens imposed by health care. Not all medical debt is clearly identifiable in bankruptcy filings – for example, health care spending may spur the accumulation of credit card debt sufficient to put a consumer into bankruptcy.<sup>20</sup> In addition, consumers may choose to divert money from other loan payments to cover medical costs. A 2019 poll by the Kaiser Family Foundation found that 12% of consumers who struggled to pay a medical bill used up all or most of their savings, another 8% withdrew money from long-term savings, and nearly a quarter reported taking on debt through a credit card, family loan, payday lender, additional home mortgage, or other source.<sup>21</sup>

While bankruptcy filings provide a unique window into the extent and severity of medical debt in Oregon, the analysis in this report portrays just the tip of the iceberg of the financial strain health care costs impose on Oregon households.

## Medical debt is common and can reach hundreds of thousands of dollars

Of the Chapter 7 and Chapter 13 bankruptcy filings in 2019 analyzed for this report, at least 60% included medical debt.<sup>22</sup> (See Figure 1.) This does not include medical debt that may be reported as credit card debt or owed to general debt collectors. (National data shows that medical debt is the largest source of debt owed to collection agencies.<sup>23</sup>) Oregonians often use credit cards or take on

other debt to cover medical expenses.<sup>24</sup> As a result, the actual percentage of bankruptcy filers who have medical debt is higher than documented in this analysis.<sup>25</sup>

The percentage of 2019 Oregon bankruptcy filers who reported medical debt is in line with the findings of other national and regional studies in the past 15 years. Two national bankruptcy studies over the past decade found that a majority of people who had filed for bankruptcy reported medical bills as a contributing factor in their bankruptcies.<sup>26</sup> A 2019 study concluded that the passage of the Affordable Care Act in 2010 did not significantly change the percentage of debtors with medical debt.<sup>27</sup>

Bankruptcy filers with medical debt listed a median of \$2,326 in medical debt. (This excludes bankruptcy filers who indicated they had medical debt but listed the amount as \$0.) To put this in context, that is more than the average price of an emergency room visit in Oregon, which is \$1,437 (before insurance).<sup>28</sup> Total liabilities for bankruptcy filers with medical debt ranged from \$2,628 to over \$17 million, with a median of about \$72,550.

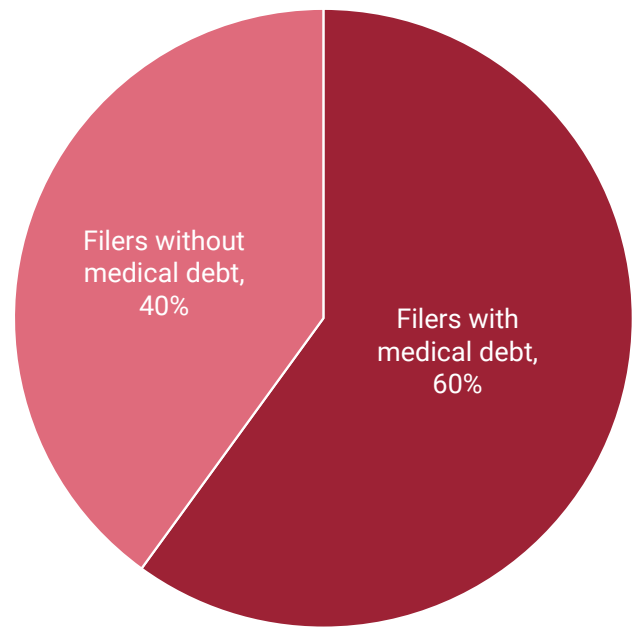


Figure 1. At least 60% of bankruptcy filers in Oregon in 2019 reported medical debt

As shown in Figure 2, more than half of bankruptcy filers with medical debt reported owing \$2,000 or more in medical debt. Fifteen percent of bankruptcy filers with medical debt reported more than \$10,000 in medical debt.

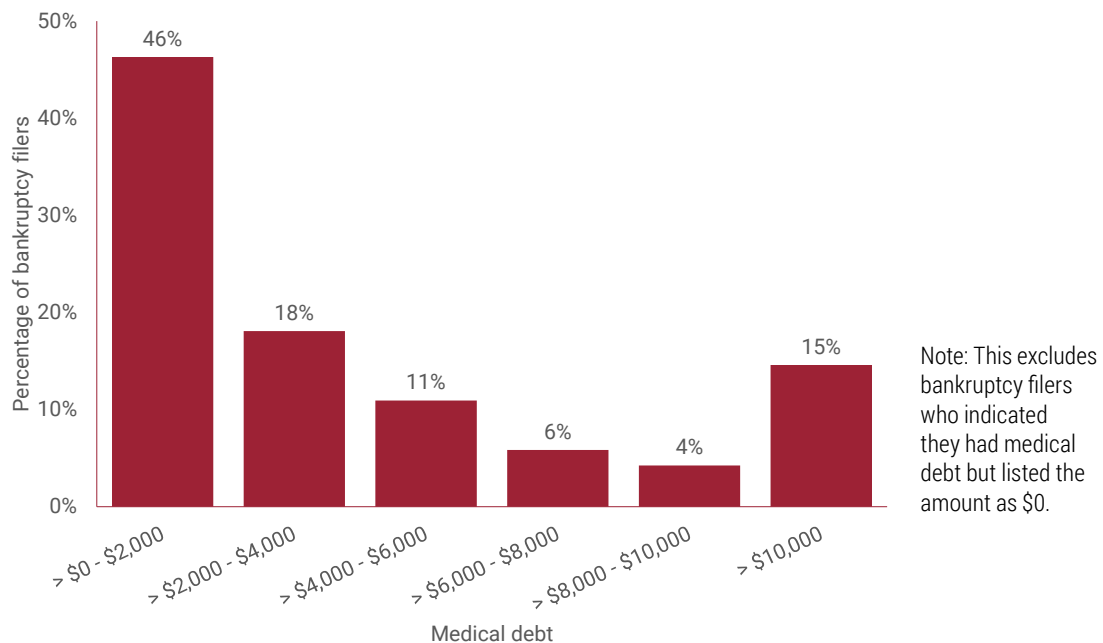


Figure 2. Distribution of medical debt levels (among filers with medical debt)

**TABLE 1. BANKRUPTCY FILERS WITH \$10,000 OR MORE IN MEDICAL DEBT**

Amount of medical debt	Number of bankruptcy filers
\$10,000-\$50,000	540
\$50,000-\$100,000	50
\$100,000-\$200,000	21
\$200,000-\$300,000	5
\$300,000-\$400,000	4
\$400,000-\$500,000	0
> \$500,000	2

Table 1 shows the distribution of the 15% of bankruptcy filers – 619 in total – who had more than \$10,000 worth of medical debt. Among them, 32 bankruptcy filers listed more than \$100,000 of medical debt.

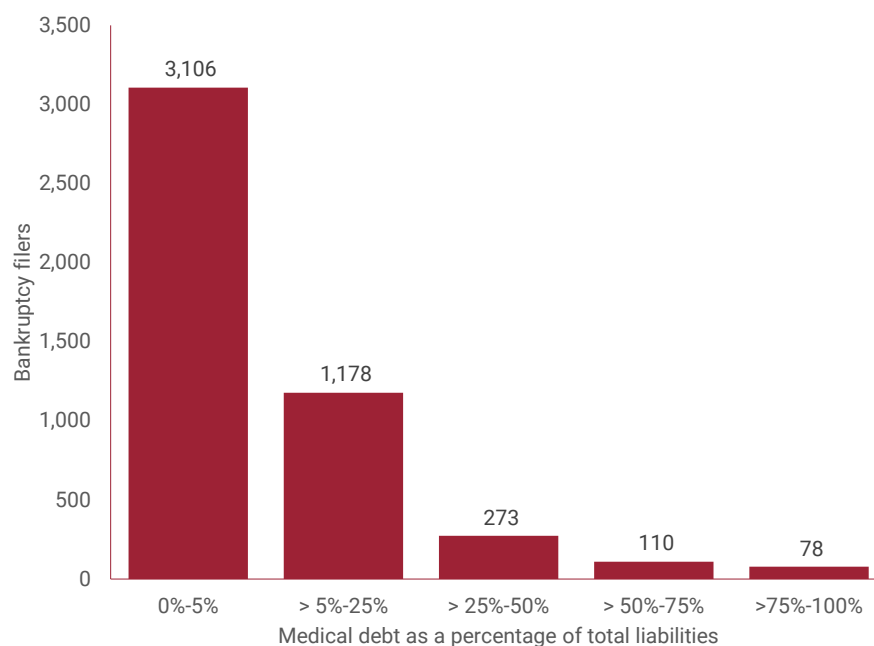
The largest medical debt owed by a single bankruptcy filer to a single creditor was over \$338,000, which was more than five times the yearly income of that middle-

income individual (who had an annual income at the time of bankruptcy filing of approximately \$60,000). The same individual had a total of over \$500,000 worth of medical debt, which was nearly 100% of the debt that individual owed to all creditors.

For some consumers, medical debt accounts for a significant share of their total liabilities. Our analysis finds that, for 188 bankruptcy filers in Oregon, the majority of their total liabilities were medical debt.<sup>29</sup> This includes 34 bankruptcy filers for whom 90% to 100% of total liabilities were medical. Figure 3 shows the distribution of medical debt as a share of total liabilities for bankruptcy filers who reported having medical debt, including those who listed the amount of medical debt as \$0.

### Medical debt consumed a large share of income for many filers

Approximately 2,300 bankruptcy filers listed medical debts that totaled more than 5% of their annual income in the year they



*Figure 3. Percentage of total liabilities that is medical debt (among bankruptcy filers with medical debt)*

filed for bankruptcy.\* That is almost half of bankruptcy filers with medical debt who listed non-zero income. About 360 bankruptcy filers (8% of those with non-zero income) reported medical debt that was more than half their annual income. 155 bankruptcy filers (3% of those with non-zero income) had more medical debt than their annual income. Seven bankruptcy filers listed medical debt that was more than 10 times their annual income. Figure 4 shows how much medical debt bankruptcy filers reported relative to their annual income. This includes filers who reported medical debt but listed the amount as \$0.

### Medical debt affected bankruptcy filers at all income levels

Bankruptcy filers of all income levels had medical debt. In each income bracket below \$100,000 a year, the majority of the filers had medical debt. Only among filers with

\* Excludes 72 bankruptcy filers who had medical debt but listed \$0 in annual income.

annual incomes over \$100,000 – about 1.5% of all bankruptcy filers – did less than half report medical debt. The median household income in Oregon is about \$60,000, suggesting that the average working household in Oregon can struggle financially with the high cost of health care.<sup>30</sup> Figure 5 shows the share of bankruptcy filers with medical debt by income level.

The median annual income of filers who reported medical debt was \$36,530, slightly higher than the median annual income of filers without medical debt at \$33,480. This may reflect the fact that many Oregonians with the lowest incomes are eligible for the Oregon Health Plan, the state’s Medicaid program, which covers most health care expenses.<sup>31</sup> A family of four qualifies if their household income is below \$36,570.<sup>32</sup> Several national studies have found that having access to Medicaid lowers consumers’ amount of medical debt.<sup>33</sup> This suggests that health care options available to the lowest-income Oregonians may cover a larger

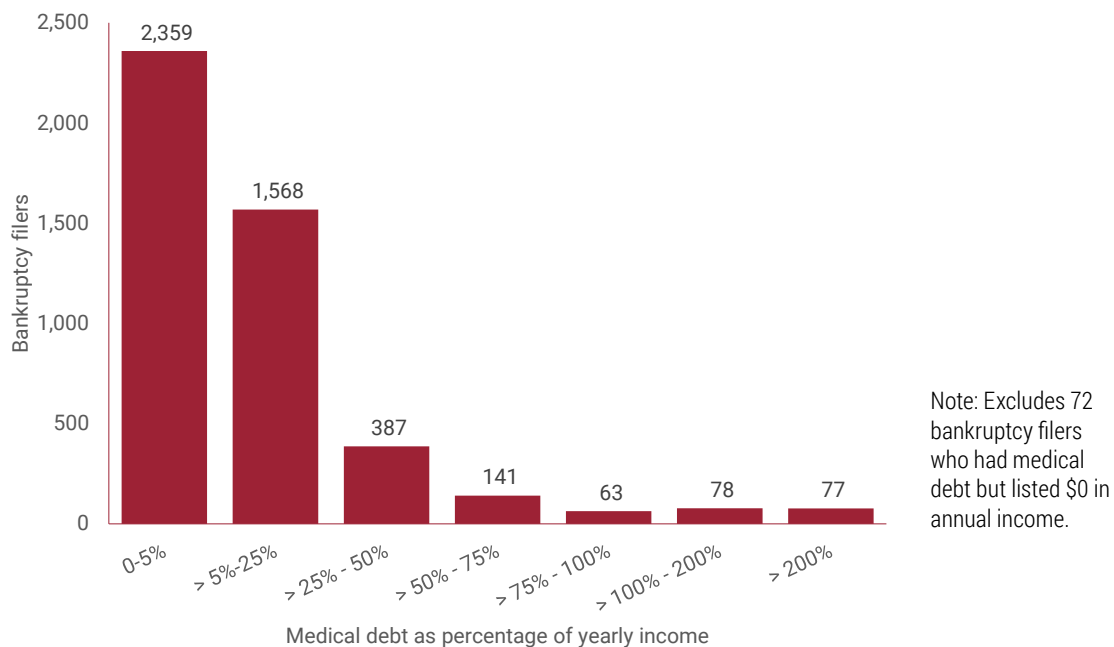


Figure 4. Medical debt as percentage of yearly income (among filers with medical debt)

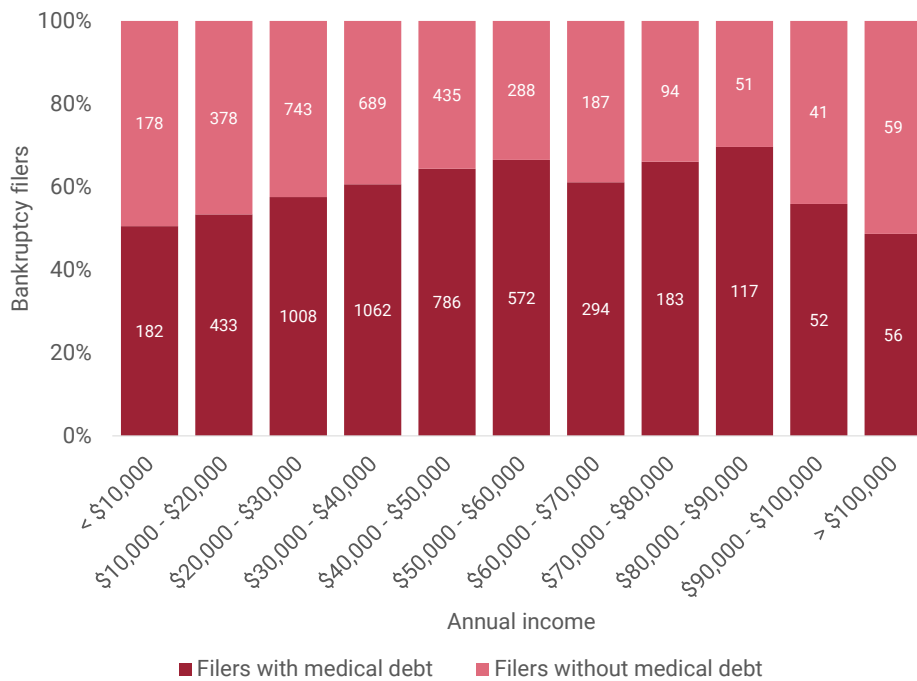


Figure 5. Number of bankruptcy filers with medical debt by income level

share of their medical expenses than the options available to middle-income Oregonians.

## Medical debt is a problem across Oregon

The high cost of health care, as measured by medical debt in bankruptcy filings, is a problem for Oregonians in urban and rural areas across the state. In every county where consumers filed for bankruptcy, they reported medical debt.\* The percentage of filers in 2019 who included medical debt in their filings showed only modest variation from county to county. In the 10 most populous counties, 52% to 69% of filers included medical debt, compared to a statewide average of 60%. In general, a higher share of filers from the less populous of these 10 counties reported having medical debt.

The median amount of medical debt showed greater variation by county. In

\* Sherman County was the only county where no consumers filed for bankruptcy in 2019.

general, filers in less populous counties had higher amounts of medical debt. Filers in Multnomah County (which includes Portland) had a median of \$1,723 in medical debt, the lowest of the 10 most populous counties. Bankruptcy filers in Linn County (which includes Albany and Lebanon) had a median of \$3,664 in medical debt, the highest of the 10 most populous counties, followed by filers in Yamhill County (which includes McMinnville) with a median of \$3,400.† Table 2 shows the distribution of bankruptcy filers for the 10 most populous counties.<sup>34</sup>

## Large health care systems are common health care creditors

Bankruptcy filers listed medical debts owed to thousands of different creditors, including hospitals, clinics, doctors, insurers, dentists, providers of health care-specific credit cards and debt collectors. In Oregon,

† This excludes filings that indicated the debtor had medical debt but listed the debt at \$0. Bankruptcy filers may do this if their debt has been sent to a collection agency, but they nonetheless want a specific creditor notified that they are seeking bankruptcy protection.

TABLE 2. BANKRUPTCY FILINGS FOR THE 10 MOST POPULOUS OREGON COUNTIES

Population rank	County (major city)	Total bankruptcy filers	Filers with medical debt		Median medical debt	
			Percent	Rank	Amount	Rank
1	Multnomah (Portland)	1,223	52%	10	\$1,723	10
2	Washington (Hillsboro)	1,079	59%	8	\$2,154	8
3	Clackamas (Lake Oswego)	757	57%	9	\$2,260	6
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9	Douglas (Roseburg)	204	67%	2	\$2,264	5
10	Yamhill (McMinnville)	201	65%	4	\$3,400	2

Note: The calculation of the median debt excludes filers who indicated they had medical debt but listed the amount as \$0.

a company that offers a health-care credit card and major health care networks were the most frequently listed creditors.

In their bankruptcy filings, indebted consumers listed the names of entities to which they owed money. This included providers of a range of services in the health care industry, such as hospital care, outpatient care, and health insurance. Our analysis aggregated this information based on the parent organization, typically large hospital systems and their affiliated providers. Several of these health care networks also operate insurance plans with similar names, and any debt to those insurers likely is included here. (See methodology for details.)

The single most frequently listed medical debt holder in Oregon was not a health care system, but rather CareCredit from Synchrony Bank.<sup>35</sup> CareCredit offers a health care credit card that allows customers to pay out-of-pocket expenses not covered by health insurance and is accepted by more than 225,000 health care providers

nationally.<sup>36</sup> 1,037 debtors reported owing a total of over \$2 million to CareCredit, with a median of \$1,443 owed per debtor. The median debt owed to CareCredit was higher than the median debt owed to any of the 10 most frequently mentioned health care systems. In 2013, the federal Consumer Financial Protection Bureau ordered CareCredit to refund over \$34 million to customers for using deceptive enrollment tactics.<sup>37</sup> The bankruptcy filings from 2019 do not indicate if CareCredit debtors acquired their CareCredit cards or debt during the period covered by the federal settlement.

The 10 health care systems most frequently listed in bankruptcy filings accounted for 40% of all medical debt. Below is a summary of medical debts reported in bankruptcy filings as owed to some of the largest health care networks in Oregon. In general, the total amount of debt owed to each network likely reflects the overall size of the health care provider and the number of patients it cares for.

1. **Providence:** A non-profit health care system that operates both hospitals and clinics, Providence Health & Services is the largest health care provider in Oregon.<sup>38</sup> Providence Health Plan is a related insurance provider.<sup>39</sup> 1,014 bankruptcy filers listed debt owed to Providence. The filers reported owing a total of more than \$2.37 million, with a median debt of \$500.\* Nine bankruptcy filers owed over \$25,000 each to Providence. The single largest debt was nearly \$86,000.
2. **Legacy Health:** A non-profit hospital system in the Portland metro area and the Willamette Valley, Legacy Health operates hospitals – including a children’s hospital – and clinics.<sup>40</sup> 544 bankruptcy filers listed debt owed to Legacy Health. They reported owing a total of more than \$1.41 million with a median debt of about \$380. Five bankruptcy filers owed over \$25,000 each to Legacy. The single largest debt was \$208,600.
3. **PeaceHealth:** Located in Washington, Oregon and Alaska, PeaceHealth is a non-profit hospital and clinic system.<sup>41</sup> 436 bankruptcy filers listed owing a total of about \$1.68 million to PeaceHealth with a median debt of \$642. Twelve bankruptcy filers owed over \$25,000 each to PeaceHealth. The single largest debt was \$192,000.
4. **Salem Health Hospitals and Clinics:** Salem Health is a non-profit health system operating hospitals and clinics.<sup>42</sup> 425 bankruptcy filers listed owing a total of more than \$1.32 million to Salem Health with a median debt of \$500. Eight bankruptcy filers owed over \$25,000 each to Salem. The single largest debt was \$80,500.
5. **Kaiser Permanente:** Kaiser Permanente is a national non-profit health system that includes Kaiser Foundation Health Plan, Kaiser Foundation Hospitals, and the Permanente Medical Groups.<sup>43</sup> 329 bankruptcy filers listed owing a total of about \$433,100 to Kaiser Permanente, with a median debt of \$287. One bankruptcy filer listed a debt of \$25,000, the largest debt owed to Kaiser.
6. **Samaritan Health:** Samaritan Health Services is a non-profit network of hospitals, clinics and health services.<sup>44</sup> Samaritan Health Plans is a related insurance provider.<sup>45</sup> 265 bankruptcy filers listed owing a total of nearly \$1.62 million to Samaritan, with a median debt of \$700. Ten bankruptcy filers listed debt of over \$25,000 to Samaritan, with the single largest debt at \$338,143 for Samaritan Albany Hospital, which is also the largest single medical debt of all filings analyzed.
7. **OHSU and Tuality<sup>†</sup>:** Oregon Health and Science University (OHSU) is Oregon’s only academic health center.<sup>46</sup> In 2016, OHSU took over management of Tuality Healthcare’s services, and Tuality Healthcare began operating as OHSU Health Hillsboro Medical Center.<sup>47</sup> 233 bankruptcy filers listed owing a total of about \$800,000 to OHSU and/or Tuality, with a median debt of about \$720. Five bankruptcy filers listed debt over \$25,000 to OHSU and/or Tuality, with the single largest debt at about \$105,000.
8. **Asante Health:** Asante Health is a non-profit health system operating hospitals and additional health care partnerships in southern Oregon and north-

\* Often debtors included the name of a health system as an unsecured claim with \$0 in debt. This is likely because the actual amount owed to the health system was bought by a debt collector and is still included in the total liabilities. Therefore, any \$0 debt amounts were excluded in calculating the median of the health systems.

† Due to how information was reported in bankruptcy filings, we were unable to distinguish debt reported as owed to OHSU’s academic medical facilities from debt owed to OHSU Health Hillsboro Medical Center, even though the two systems appear to operate independently. In addition, we could not identify if debts listed as owed to Tuality had been incurred before or after its operation by OHSU. As a result, we decided to present the debts owed to OHSU and/or Tuality together.

ern California.<sup>48</sup> 208 bankruptcy filers reported owing a total of nearly \$662,000 to Asante, with a median debt of \$720. Three bankruptcy filers listed debts over \$25,000 to Asante. The single largest debt was \$150,000.

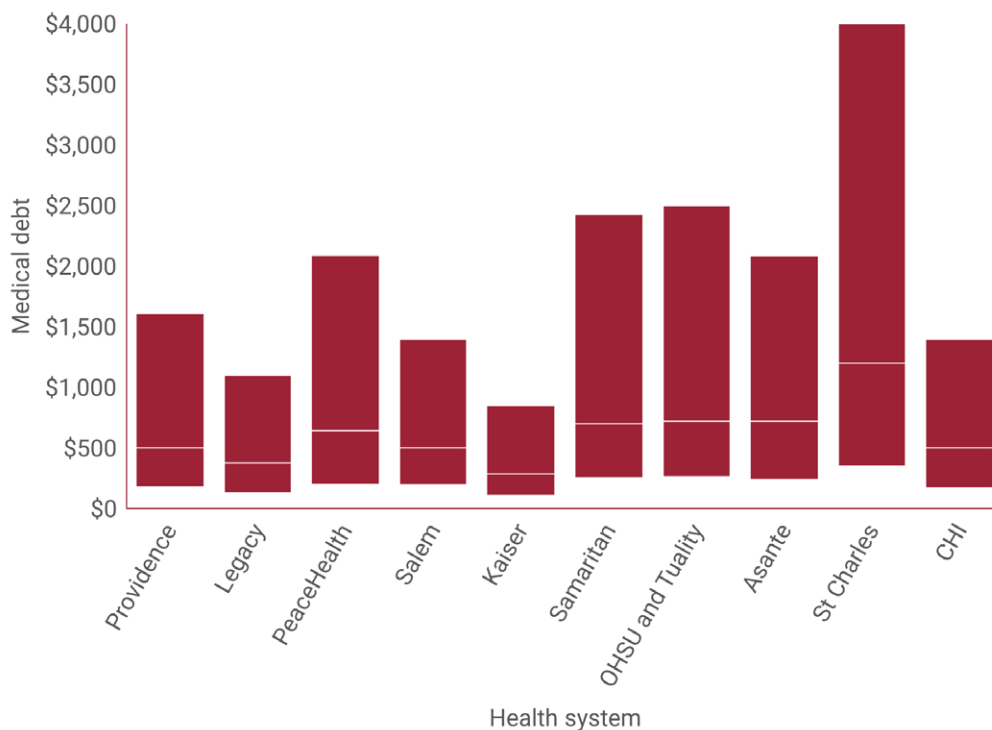
**9. St. Charles:** A non-profit health system, St. Charles is the largest provider of medical care in Central Oregon.<sup>49</sup> 194 bankruptcy filers reported owing a total of \$1.16 million to St. Charles, with a median debt of \$1,200, the highest median debt of the top 10 health systems. Seven bankruptcy filers listed debts over \$25,000 each to St. Charles. The single largest debt was nearly \$120,200.

**10. Catholic Health Initiatives (CHI):** A health system operating in 18 states, Catholic Health Initiatives is the third largest non-profit health system in the country.<sup>50</sup> 157 bankruptcy filers reported owing a total of about \$478,700, with a

median debt of \$500. One bankruptcy filer reported debt over \$25,000 to CHI, for \$168,000.

Figure 6 shows the median and the 25th and 75th percentiles of medical debts owed to each of the top ten health care networks.

Nationwide, 72% of hospitals are affiliated with a health system, as are more than half of physicians.<sup>51</sup> Health systems have grown in recent years, with the share of physicians associated with a health system increasing by 11 percentage points from 2016 to 2018.<sup>52</sup> The consolidation of hospitals into networks was slower from 2016 to 2018, perhaps because of fewer opportunities for consolidation: nearly 90% of hospital beds are in hospitals that have already joined a network. Multiple studies have shown that the consolidation of providers into health systems leads to higher prices for health care.<sup>53</sup>



The bottom of each box represents the 25th percentile, the top represents the 75th percentile, and the horizontal line through each box represents the median debt. Note: Data excludes medical debt listed as \$0.

Figure 6. 25th and 75th percentiles and median debt for 10 health care networks



# The high cost of health care is a burden on Oregon consumers

**THERE ARE MULTIPLE REASONS** why so many consumers filing for bankruptcy in Oregon have medical debt: health care and health insurance are expensive, and insurance does not cover all medical expenses. In addition, policies to help people with health care expenses, such as hospital financial assistance programs, may be inadequate. The bankruptcy filings analyzed for this report do not indicate whether a consumer had insurance when they incurred their medical debt or at the time they filed for bankruptcy. However, the data are clear that both the cost of health care and the cost of health insurance can place a major burden on consumers' finances.

Not only is insurance expensive, but simply having insurance is not a guarantee against financially catastrophic health care bills. Health insurance policies may require a high deductible or fail to cover some expenses, potentially forcing consumers into debt to cover unexpected costs.

Paying for health care and health insurance strains family budgets, increasing consumers' vulnerability when they encounter an unexpected medical cost or other expense. In addition, medical debt can have a deep and long-lasting impact on patients' lives. Holders of medical debt may sue debtors, potentially resulting in wage garnishment.<sup>54</sup> This further restricts the consumer's options, limiting their ability to purchase a home, seek additional education, or pay for a child's education. In addition, fear of the cost of medical care and

the debt it might trigger can deter patients from seeking care.<sup>55</sup>

## The high cost of insurance strains consumers' budgets

Because health care is expensive, health insurance is also expensive. Oregonians who do not qualify for federal insurance programs such as Medicare or Medicaid may buy insurance for themselves or obtain it through their employer. Either option can be expensive. Paying for insurance can strain household budgets, leaving consumers on shakier financial ground if they face an unexpected expense, medical or otherwise.<sup>56</sup>

Oregonians who buy insurance for themselves and their families without participating in an employer- or government-run health plan buy insurance through the individual insurance market. The average premium for a benchmark plan in Oregon's individual Affordable Care Act marketplace was \$443 in 2019, more than double what it was in 2014.<sup>57</sup> Because nearly three-fourths of Oregonians who buy insurance on the exchange receive federal tax credits that reduce the cost of insurance premiums, individuals' monthly premium costs are lower than this.<sup>58</sup> For example, in 2019 a typical 40-year old non-smoker living in Portland who selected a benchmark silver-level plan would have paid \$209 in monthly premiums, after the tax credit.<sup>59</sup> (Note that a benchmark plan is the second-least expensive silver-level plan for sale on the marketplace, not the median price of all available

plans.<sup>60</sup>) The federal government recently increased premium subsidies, temporarily lowering costs for consumers who qualify for subsidies and purchase insurance through the marketplace.<sup>61</sup>

Faced with the prospect of allocating a large share of their family's budget to health insurance, some consumers choose to forego coverage. Six percent of Oregonians lacked health insurance in 2019.<sup>62</sup> A 2021 survey found that half of uninsured Oregonians cited cost as the main reason they did not have health insurance.<sup>63</sup> Uninsured consumers may incur unbearable costs to pay for medical care or choose to delay or skip care to save money.<sup>64</sup>

Employer-sponsored health insurance can also impose a major financial burden on Oregonians. In 2019, employees who received health insurance for themselves and their family through an employer paid for slightly more than a quarter of the premium cost, for an average of \$450 each month.<sup>65</sup>

### **Even insured consumers can have high health care expenses**

Having health insurance does not fully protect Oregon consumers from additional health care expenses, which can be high and unexpected. To reduce the cost of monthly insurance premiums, consumers may purchase high-deductible health insurance plans that require extensive out-of-pocket spending if the consumer seeks health care. In addition, until passage of a state law in 2018, Oregon consumers could encounter a surprise medical bill if they were treated by a provider who did not accept their insurance. For consumers on federally regulated health plans, protections against surprise bills will only go into effect in January 2022.<sup>66</sup>

Many health insurance plans have a high deductible, which is the amount a patient is required to pay before insurance begins to cover medical expenses. As of 2016, nearly

half of Oregonians who received insurance through their employer had high-deductible plans, defined by the IRS as a deductible of \$1,300 or higher for individuals or \$2,600 or higher for a family.<sup>67</sup> On average, Oregonians have the third-highest deductibles in the nation, averaging nearly \$4,000.<sup>68</sup>

The attraction for a consumer is that a high-deductible plan typically has lower premiums; the downside is that the consumer may face a large out-of-pocket expense from seeking medical care. Too often, consumers are unable to pay this expense and, as a result, high-deductible plans can leave people inadequately insured. According to a national study by The Commonwealth Fund, more than 20% of Americans aged 19 to 64 were underinsured in the first half of 2020 because their insurance required high deductibles or high out-of-pocket costs relative to their income.<sup>69</sup> Another study, conducted in 2019 by the Kaiser Family Foundation, found that one-third of all insured adults had difficulty affording their deductible, and over half of those on the highest deductible plans lacked adequate personal savings to pay off their deductibles.<sup>70</sup> Though the purpose of health insurance is to protect consumers from financial harm in case of an unexpected event, high deductible plans instead leave them exposed to financial risk.

People who are inadequately insured are more likely to put off getting necessary care or filling their prescriptions, which can worsen health outcomes.<sup>71</sup> A 2019 survey conducted by the Kaiser Family Foundation found that 50% of adults said they or their family members postponed necessary medical care because they couldn't afford the expense.<sup>72</sup> People with a serious medical condition, such as cancer or diabetes, were even more likely to skip care because of the cost.<sup>73</sup> One quarter of respondents reported that their medical condition got worse as a result of delaying care.<sup>74</sup> Earlier research suggests that people who delay or skip medical care

are subsequently less likely to report having excellent or very good health, and also report having a lower quality of life.<sup>75</sup>

Even with adequate insurance that does not require high deductibles, Oregon consumers may receive unexpected medical bills if they are treated by a provider who does not accept their insurance. For example, a patient who seeks care at an in-network hospital may be treated by an out-of-network physician who works at that hospital. Depending on the patient's insurance and the situation, most insurance companies will pay only a portion of the out-of-network bill, and the patient will owe the remainder. Nationally, the average surprise medical bill is more than \$600, though such bills can be for tens of thousands of dollars.<sup>76</sup> Surprise medical bills may be the source of debt for some consumers who filed for bankruptcy in 2019 and were included in this report.

The burden of surprise medical bills should decline as new consumer protection policies take effect. An Oregon state law passed in 2018 protects consumers on health plans regulated by the state from certain surprise out-of-network medical bills, as long as the patient has not signed a consent form to waive these protections.<sup>77</sup> For consumers on health plans overseen by federal regulators, new federal protections against surprise bills will go into effect in January 2022.<sup>78</sup> Consumers will still be somewhat vulnerable, however. Ground ambulance rides are not covered by the federal legislation and thus present a continued risk of surprise bills.<sup>79</sup> For other services, implementation and oversight of the federal law will determine how much protection consumers receive.

Many consumers have limited resources to pay an unexpected or high medical bill. About a third of people with employer-sponsored health insurance report they

would not be able to pay an unexpected \$500 medical charge.<sup>80</sup> When consumers have trouble paying medical bills, they resort to a variety of tactics to be able to afford the expense. According to a 2021 poll of Oregonians, more than one-third reported struggling to pay medical bills.<sup>81</sup> They reported using a mix of strategies to cover their costs, including:

- 13% reported using up most or all of their savings to pay a medical expense,
- 10% borrowed money or got another mortgage on their house,
- 9% incurred large amounts of credit card debt, and
- 8% reported using a long-term repayment plan.

In addition, 10% reported that they lacked sufficient funds to pay for expenses such as food and housing.

In recognition of the financial burden that serious medical problems can inflict on patients, Oregon passed legislation in 2019 to help lower-income Oregonians who seek hospital care. Beginning in 2020, some providers had to modify their billing and debt collection practices for lower-income consumers. Hospitals and non-profit-affiliated clinics must waive charges for patients who earn less than 200% of the federal poverty level and provide reduced fees for patients who earn up to 400% of the federal poverty level.<sup>82</sup> The legislation also limits the interest rate that can be charged on medical debt. While the provisions of this law protect lower-income consumers today, such consumers who filed for bankruptcy in 2019 and are included in this report would not have received such protections when they incurred their medical debt. Furthermore, patients who earn too much to be eligible for assistance may still face large hospital bills.

# | Conclusion and policy recommendations

**THOUSANDS OF OREGONIANS** file for bankruptcy each year, and the majority of them report some amount of medical debt. While those medical costs may or may not have been the primary reason those consumers sought protection in bankruptcy court, high medical costs certainly added to their financial problems.

The high cost of health care strains the budgets of many Oregonians. The high cost of health insurance – a direct result of the high cost of care – limits how much money households have available for other expenses. Deductibles and other out-of-pocket expenses are unaffordable for underinsured consumers, causing them to delay or avoid seeking medical care. To pay their medical bills, many consumers deplete their savings or incur debt. This makes them vulnerable to other financial stresses, such as an emergency car repair or another medical expense.

To help consumers, Oregon policymakers should pursue a variety of policies to reduce the high cost of health care.

Oregon should **implement a public option health plan** that lowers costs by reducing insurance premiums and other out-of-pocket expenses. The state recently passed a bill directing the Oregon Health Authority and the Department of Consumer and Business Services to design a public option plan,

and to submit any legislative changes for approval in 2022.<sup>83</sup> There are a variety of ways to lower costs with a public option, including having the state set provider reimbursement rates within the public option, or instituting a fixed payment to providers for each public option patient they care for. A study of how a public option might be structured in Oregon found that it could offer lower insurance premiums, and a national analysis found that a public health insurance option could reduce provider prices and increase competition in the insurance market.<sup>84</sup> By increasing competition, a lower-cost plan may encourage the market as a whole to reduce costs. Less expensive plans and lower health care costs are important for individuals and families who cannot afford the rising premiums and other costs of health insurance, or who are ineligible for premium subsidies and thus find existing options unaffordable. In addition, a public option could increase choice for consumers, especially if it is made available in counties that currently have limited insurance options.

Oregon should **craft strong accountability mechanisms** to ensure the effectiveness of the state's target limit on how much providers and insurers increase health care spending each year. These measures should include a performance improvement plan and meaningful fines to ensure compliance. In 2019, the Oregon Legislature cre-

ated a program to establish a health care cost growth target to slow the rate of growth of health care spending.<sup>85</sup> The state already had a cost growth cap for several publicly funded programs<sup>86</sup> and adopted a similar policy for health plans and providers.<sup>87</sup> A bill passed in 2021 authorized rulemaking authority to determine how those accountability measures should be applied.<sup>88</sup> Oregon can achieve its stated goal of improving both the quality of care and efficiency in the health care system, while reducing risk to consumers' financial health, by drafting strong rules that enforce the cost growth target across all payers and providers statewide.

Lawmakers in Oregon should take action to **lower the cost of prescription drugs**. The high and rising cost of many medications adds to consumers' financial stress as they strive to maintain their physical and mental health. Though the state has adopted a Prescription

Drug Price Transparency Program that provides regulators and consumers with advance notice of price increases, there is little control over pharmaceutical price gouging or anti-competitive practices such as pay-for-delay tactics that prevent less expensive alternatives from entering the market. More must be done to actually lower the cost of pharmaceuticals.

Finally, Oregon should support efforts to **minimize unnecessary consolidation in the health care industry**. Hospital mergers and acquisitions increase costs, limit access to services like primary care, and may reduce quality of care.<sup>89</sup> With the financial impact of the COVID-19 pandemic, independent practices and clinics are vulnerable to consolidation which would counter the efforts Oregon has made to reduce costs and improve affordability for its citizens. Unnecessary consolidation would put consumers at risk for higher costs and worse health outcomes.

# | Methodology

**THIS ANALYSIS USED** bankruptcy filings from 2019 in Oregon, which were downloaded from the federal Public Access to Court Electronic Records (PACER) website for the Oregon Bankruptcy Court.<sup>90</sup> We obtained access to PACER records after our request for a fee waiver was granted by the Oregon Bankruptcy Court. We retained the Free Law Project, a non-profit whose mission is to “make the legal world more fair and efficient,” to download and process all 2019 Chapter 7 and Chapter 13 bankruptcy forms filed in Oregon in 2019. From those filings, the Free Law Project extracted into machine-readable format data from two sections of the bankruptcy filings: Form 106Sum and 106E/F.<sup>91</sup> Bankruptcy records that were missing form 106Sum and 106E/F were not included in this analysis. In addition, a small percentage of the filings were scanned PDFs rather than digitally completed PDFs and were also excluded. Of all the bankruptcy filings in Oregon in 2019, about 7,900 were correctly parsed and included in our analysis, which is 90% of the dockets available in PACER.

Form 106Sum, “Summary of Your Assets and Liabilities and Certain Statistical Information,” lists each bankruptcy filer’s total liabilities, which is the sum of unsecured claims and claims secured by property. Form 106Sum also lists the monthly income of the bankruptcy filer, which was multiplied by

12 to estimate the annual income for each bankruptcy filer. Form 106E/F, “Schedule E/F: Creditors Who Have Unsecured Claims,” lists all of the priority and non-priority unsecured claims, which is where medical debts are listed.

Form 106E/F in a Chapter 7 or Chapter 13 bankruptcy filing includes a list of unsecured claims. Each claim has a field for the creditor name and the total amount of the claim. Each claim also has checked boxes for the type of claim, none of which are medical, as well as a line (“other, specify”) where filers can write in details about the claim. Many filings include a note of “medical services” in this field, or other details that indicate the claim is medical related.

In order to determine if an unsecured claim was medical related, we compared the information in “creditor name” and “other, specify” against lists of keywords. The first list of keywords looked for terms that might be incorrectly classified as medical, such as “animal hospital.” If any unsecured claim included one of these keywords it was labeled as non-medical. We then sought to identify claims from debt collectors as medical or non-medical. We talked to experts in the field and looked at frequently listed creditor names. We then researched which of these debt collectors collect solely medical debt, relying on the information presented on each debt collector’s

website, and labeled debt collectors that collect nothing but medical debt as medical. All other debt collectors were labeled as non-medical. We matched the unsecured claims against the list of medical debt collectors and labeled these unsecured claims as medical. We then built a list of medical keywords like “hospital” or “pediatrician,” labeling these claims as medical. The remaining unsorted claims were checked for spelling errors against the medical keyword lists and labeled as medical when appropriate.<sup>92</sup> The remaining unlabeled creditors were all labeled as non-medical. Of the 142,041 unsecured claims, 15% were labeled as medical and 85% were labeled as non-medical.

This method results in an undercount rather than an overcount of medical-related debts. Due to the variation in how bankruptcy filers named their creditors as well as the possibility of spelling errors, we may have failed to identify some medical claims. In addition, medical claims that were reported in bankruptcy filings as credit card debt or that were owed to a non-medical-specific debt collector could not be identified.

After identifying each unsecured claim as medical or non-medical, we sorted the medical claims by the most frequently listed creditor name. There was a lot of variation in how filers entered creditor names. For example, in various filings we observed a single health system identified as “Providence Health and Services,” “Providence Health System,” and “Providence” with “medical services” under the type. To deal with this variation, we identified the most commonly listed health systems, researched alternative names and providers that were part of each health system, and created a keyword list for each of the most frequently listed health systems. For each unsecured medical claim, if a keyword match was found in either the “creditor name” or “other, specify” field it was labeled as the corresponding health system.

In cases where we could not clearly identify the correct health system, we excluded the debt from the provider analysis. For example, both Legacy Health System and Samaritan Health System have “Good Samaritan” hospitals. If it was clear which hospital the bankruptcy filer was referring to, such as “Legacy Good Samaritan” or “Good Samaritan, Corvallis,” then the claim was sorted accordingly. Otherwise, these claims were not sorted by health system. A total of 13,420 claims were able to be sorted by health system.

Often debtors who included the name of a health system listed \$0 of debt to that entity. This is likely because the actual amount owed to the health system was bought by a debt collector and is still included in the bankruptcy filer’s total liabilities. Therefore, any \$0 debt amounts were excluded in calculating the median owed to each health system.

The extracted information from bankruptcy forms 106Sum and 106E/F did not include the county where each consumer lived at the time of filing for bankruptcy. However, the Federal Judicial Court’s (FJC) Integrated Database contains information on each filer’s county of residence.<sup>93</sup> We matched the county listed in the FJC database to each bankruptcy filing in our dataset by the docket number. We then analyzed filings in the 10 most populous counties. We excluded smaller counties because the smaller number of filings meant outliers were more likely to affect our analysis.

In the presentation of our analysis, we often use the term “filers” when discussing filings for which a certain characteristic is true. In some cases, a single filing contains the liabilities and incomes of joint filers but we were unable to separate out that information. Additionally, if the type of average is not defined the reader should assume “average” refers to the mean.

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