AGN. NO.____

MOTION BY SUPERVISORS JANICE HAHN AND HOLLY J. MITCHELL

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Reducing Medical Debt in Los Angeles County Through Improved Data Collection and Innovative Strategies to Retire Medical Debt

Medical debt, which is involuntary and can arise suddenly, is a widespread issue in the United States, affecting both uninsured and insured adults. Healthcare-related debt encompasses more than just unpaid or past due bills from providers. While some adults may not carry debt from medical and dental bills, they may have paid off those debts by taking on other forms of debt, including credit cards, personal bank loans, or loans from family and friends. The burden of medical debt is pervasive, causing financial, mental, and physical harm to individuals, especially to those from historically marginalized communities.

While the uninsured are at highest risk of medical debt, insured patients also face burdensome medical debt due to high out-of-pocket expenses, including deductibles, copays, and procedure or provider exclusions. When insurance plans do not cover these costs and patients do not seek, are not informed of, or are not eligible for financial assistance programs like Charity Care, they must find additional sources of funds to pay off the debt. Even a small amount of debt can cause significant burden for lower-income individuals, such as older adults on a fixed income or individuals who may have

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inconsistent income or who are unemployed. Those who lack the financial means to pay off medical debt may have difficulties affording other expenses such as groceries, rent, or transportation which can cause both physical and mental stress and hardship. Failure to pay medical bills may result in depleted personal savings or bankruptcy, creating a damaging cycle of financial decline that is difficult to overcome.

The Los Angeles County (County) Department of Public Health (DPH) analyzed 2017-2021 California Health Interview Survey data. DPH's *Medical Debt in L.A. County: Baseline Report and Action Plan* released in June 2023 provided striking findings on medical debt burden and its impact in the County. Approximately one in ten County adults faced burdensome medical debt, with the total medical debt burden estimated to be greater than $2.6 billion. The prevalence of medical debt in the County remained unchanged from 2017-2021 despite increased insurance coverage during that period. While the uninsured face the greatest burden, even adults with private insurance or Medi-Cal were twice as likely to have burdensome medical debt as those with Medicare. Insurance alone will not safeguard County residents. The report showed medical debt is as prevalent as asthma, tobacco use, and diabetes, priority health conditions recognized as some of our largest challenges in the County. Medical debt disproportionately affects residents with lower-income and Latino, Black, and Native or mixed-race communities, families with children and those with chronic health conditions.

The consequences of medical debt are alarming, as they negatively impact factors that determine future health outcomes, such as housing, employment, food security, and access to prescription medication and healthcare. County residents with medical debt burden are two to three times more likely to experience food insecurity and housing instability. Half of residents with medical debt burden reported taking on credit card debt to pay for their medical bills, and 46% reported being unable to pay for necessities due to their medical bills. About half of those who took on credit card debt or were unable to pay for necessities owed less than $2,000, suggesting that even relatively small amounts of debt can cause serious hardships for struggling households. Medical debt also places barriers to seeking and adhering to healthcare for many who need it most. Residents with one or more chronic conditions face a higher risk of debt. Those who have used emergency department services or had overnight hospital stays, even if insured, were more than twice as likely to be vulnerable to medical debt. Burdensome medical debt increases psychological stress and increases the likelihood of forgoing necessary medical care and prescriptions by threefold or more.

As the County pursues an equitable recovery from the COVID-19 pandemic, we recognize the outsized toll that medical debt has played for those most vulnerable to and affected by COVID-19. COVID-19-related hospitalizations, long-term health conditions associated with COVID infections (Long COVID), and pandemic-related income losses have further increased medical debt burden as shown in this analysis. With the end of the public health emergency protections and the potential loss of insurance coverage for thousands of County residents, the imperative to address the prevention and relief of medical debt has never been more crucial. In recent years, groups such as RIP Medical[1] have worked with other jurisdictions, such as Cook County[2], to purchase and retire medical debt for qualifying individuals from their local hospitals for pennies on the dollar. This relief has provided millions of low-income families with emotional relief, repaired credit scores and economic security, and alleviates the need for forgoing other necessities such as food or housing. The Department of Public Health estimates that an

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[1] See RIP Medical https://ripmedicaldebt.org/

[2] See Cook County Medical Debt Relief Initiative: https://www.engagecookcounty.com/mdri

investment of $24 million could lead to the possible relief of $2 billion in medical debt over 2-3 years of sustained funding.

WE, THEREFORE, MOVE that the Board of Supervisors:

1. Direct the Director of the Department of Public Health (DPH), the Chief Executive Officer (CEO), Department of Consumer and Business Affairs (DCBA), and County Counsel to develop an ordinance within 90 days to require collection of data and policies on debt collection and financial assistance activities from hospitals operating in Los Angeles County (County). This information must be posted publicly and updated regularly on an online dashboard on the Department of Public Health's website with the option to provide printed copies upon request.
2. Direct DPH, CEO, DCBA, and County Counsel to partner with hospitals operating in the County to identify best practices related to debt collection and financial assistance activities, including data collection and systems change, and post this information publicly.
3. Direct DPH, in consultation with the Directors of DBCA, Department of Health Services (DHS), Department of Mental Health (DMH), Department of Economic Opportunity (DEO), and Department of Public Social Services (DPSS), in collaboration with community partners, to provide a written report back in 120 days with recommendations for further efforts towards reducing medical debt in the County. The report should include:
    a. The identification of additional County policies and practices that can reduce the accumulation of medical debt;
    b. Identification of strategies to reduce the accumulation of medical debt in all health care facilities;

c. The identification of strategies to alleviate medical debt burden such as working with Medi-Cal managed care plans to educate members on coverage limitations for seeking emergency, specialist and out of network care that might result in an unexpected medical bill; and

d. Recommendations for improving financial assistance eligibility assessment, applications, awareness, and overall policies to reduce the accumulation of medical debt among patients and simplify administrative burdens; and

e. Assessment of available free and low-cost Legal Resources that provide legal representation for medical billing disputes; debt negotiation and reduction; and to protect against aggressive debt collection practices. The assessment should include the feasibility of partnering, scaling, and/or the development of new programming.

f. Strategies to increase awareness of consumer protection laws related to medical debt collection and accessibility of healthcare resources such as low-cost clinics, public health programs, and health insurance options to empower constituents to make informed healthcare choices and reduce the likelihood of incurring substantial medical debt. These strategies, where appropriate, should be made available in multiple languages.

4. Direct the CEO, in collaboration with DPH, DCBA, and DHS, to report back to the Board in writing in 90 days on the feasibility of purchasing and retiring County residents' medical debt and provide a report back on potential County, State, Federal, and philanthropic funding sources to support this endeavor.

5. Direct the Los Angeles County Chief Executive Office of Legislative Affairs and Intergovernmental Relations, in collaboration with L.A. County Counsel, DPH, DCBA and DHS, to provide a written report back in 90 days on legislative and

regulatory advocacy options at the State and Federal levels, such as aligning with upcoming federal rulemaking that would bar medical debt from impacting credit scores. Additionally, consider policy changes that would mitigate and reduce medical debt such as improved community benefit reporting requirements, greater hospital pricing transparency and consistency across L.A. County, expanded consumer protections, and measures to reduce the cost of care and the cost of insurance.

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