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# Toxic Debt: When Collections Overtake Care in Healthcare

By Somava Saha, M.D., M.S., President and CEO,
*Well-Being and Equity (WE) in the World*

**Recently, I had a knee operation.** I have great health insurance, am well-educated (a physician-CEO who works to transform healthcare), and have great doctors who practice at a terrific institution. My clinical care was overall excellent, and I had a great outcome with the help of the many caring professionals involved. But over and over again, the healthcare system told me that what mattered most was not my care but the revenue they could collect from me. This wasn't conveyed through any intentional message crafted by the marketing team. It was about how many more interactions I received about revenue collection than about my care. Actions speak louder than words—and in this healthcare organization, the message was being transmitted and received loud and clear.

From the ubiquitous signs into facilities that, before saying "welcome," asked me to get out my insurance card to the disproportionate number of calls and texts I got about billing versus care through the whole process (about 3:1), the message I heard was: *we care about your ability to pay us more than we care about you—and if you can't pay, we can't serve you*. In fact, in order to receive care, I had to sign papers that I would be liable for any bills not covered by my health insurance. As an informed consumer, I was able to resolve most of these issues—but it left me feeling like what mattered most to my healthcare system was my ability to pay.

Patients are getting this message. People may trust their doctors, but increasingly, they don't trust their healthcare systems. A 2024 national survey conducted by Civis in partnership with WE in the World,[1] found that among 2,570 respondents, one in four said

1 WE in the World, WE RISE, and WIN Trust and Discrimination Survey, 2024.

that they didn't trust their healthcare system to be there for them when they needed it. When asked why, the leading cause was because they were afraid of an unexpected bill. This fear is not unfounded: medical debt is the leading cause of bankruptcy in the U.S.

For people in poverty and people of color who don't have the same privileges or ability to navigate the system, the experience is far more toxic and harmful. Because these populations may be underinsured, lacking resources to navigate the system, or in high-deductible plans because of the high cost of healthcare and health insurance, they are more likely to be billed more. If unable to pay, they are sent to collections or even sued, thereby destroying credit ratings or forcing families in poverty to predatory loans. The Affordable Care Act requires hospitals to inform patients about financial assistance services, yet many institutions have refined their revenue collection protocols without improving the effectiveness of connecting people to these services. The impact in communities of color and communities in poverty has been devastating: patients who need help avoid care and those who receive care are left poorer than they started. Understanding as we do now that wealth and health are deeply related, this means that our own billing practices are worsening health inequity and perpetuating or worsening structural racism.

Most revenue cycle leaders, who have been trained to believe this kind of practice is justified, based on the guidance and training of consulting groups, are often unaware of the full impact of these billing practices on communities. They strive to make sure that every penny is paid and that no one escapes equal billing—even as different insurance companies pay vastly different rates for the same services.

Perhaps the most heartbreaking part is that health systems are doing this with unclear benefit to the bottom line and substantial risk to both patients and the institution. In many cases, sending a bill and pursuing the collections process costs more than simply forgetting the debt. Health systems don't make money and the patient loses their credit rating, and is at greater risk of poor health and life outcomes. In addition, hospitals incur compliance risk, potential lawsuits, and reputational risk. Increasingly, articles are written in the mainstream news media about health systems employing aggressive collection policies, bringing in billions of dollars in profits while sending charity care-eligible patients to collections.[2]

We are just beginning to see the backlash and response, and it's growing. Don Berwick wrote a searing article about greed in the medical system.[3] Organizations like Dollar For seek to connect patients to financial assistance and hold hospitals accountable for doing the same. Undue Medical Debt (formerly RIP Medical Debt) purchases the medical debt for pennies on the dollar, though after it has already been sent to collections. Groups

2 See e.g., Kati Weis, "UCHealth Named in Lawsuit for Alleged Illegal Tactics to Sue for Medical Debt, Says It Would Be 'Optically Bad' to Use Company Name," CBS News, May 5, 2023; Erica Zucco, "Washington Attorney General Sues Providence Hospitals Over 'Unfair' Medical Billing Practices," King 5, January 26, 2023; Wendi C. Thomas and Deborah Douglas, "'Humbled': Non-Profit Christian Hospital Dials Back Aggressive Debt Collection and Raises Wages After Our Investigation," ProPublica, July 30, 2019.

3 Donald M. Berwick, "Greed in U.S. Healthcare—Reply," *JAMA Network*, July 3, 2023.

inside the profession, like the AMA and IHI-led Rise to Health coalition, and outside the profession, like People Power Health and the Debt Collective, are engaging patients and healthcare professionals to come together to demand change. The suggestions for change range from eliminating toxic debt collection practices through practical changes driven by healthcare leaders to public accountability through press and legal action and legislation challenging the non-profit status of hospitals partaking in these practices.

Fortunately, some healthcare systems are showing that truly innovative work in this area is possible. Methodist Healthcare Ministries, for example, doesn't send bills to the poorest zip codes in its catchment area—a simple EMR adjustment that can be made in any institution that saves cost and harm. Many healthcare organizations are working to redo their revenue cycle efforts to better connect people to charity care. In a brilliant policy strategy, led by the North Carolina Department of Health and Human Services, every North Carolina hospital system agreed to both cancel medical debt for the lowest income and working poor and collectively eliminate toxic debt collection practices and reform their financial assistance practices to ensure that all residents get free care up to 200 percent of the federal poverty level. Change is possible—and essential—to regaining the trust of the public.

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## What Can Boards Do?

Three steps boards can take to address this issue are:

1. **Ask:** Ask your CFO how its revenue cycle team works to collect bills and connect people to financial assistance services, especially among patients who might have difficulty paying. Ask to see the race/ethnicity and zip code data showing which patients and communities are most affected by the system's debt collection practices. Ask about the *effectiveness* of their practices in not only informing but connecting people to financial assistance services. Ask about the portion of revenue actually collected versus the total cost expended. The answers to these questions can help determine if the organization is engaging in toxic billing practices and if any action needs to be taken to remedy this.
2. **Act:** Encourage your healthcare organization to engage in collaboratives and initiatives seeking to address medical debt as a core strategy toward health equity. Especially look for initiatives that build core capacity within your revenue cycle team to identify and address the equity and racial justice of its own practices. The Healthcare Anchor Network is actively recruiting for healthcare systems to join a group related to this.[4] A new learning and action collaborative launched by WE in the World, supported by the Robert Wood Johnson Foundation, JUSTICE SQUARED, just launched a call for proposals that would support practical action and systems

4 See https://healthcareanchor.network.

around medical debt as part of addressing structural racism in the healthcare system.[5] This initiative comes with $300,000 in funding ($400,000 for safety net institutions) to work across healthcare and communities to build a more just healthcare system.

3. **Create accountability:** Integrate goals and targets for the removal of toxic debt collection practices into board governance and identify a specific committee of the board that will be accountable for the organization to report progress against these performance goals. This could, for example, become a routine part of the finance committee and board quality committee reports. Make "first, do no harm," real.

## Key Board Takeaways

- Toxic revenue cycle practices around debt collection, which are often baked into standard revenue cycle algorithms, may perpetuate health inequities and place your healthcare system at risk of compliance or reputational issues.
- There are effective strategies for organizations to eliminate the harms created by revenue cycle practices—and many of these practices save time and money.
- Boards can ask, act, and create accountability to ensure that their health systems are removing these toxic algorithms from their protocols. By emphasizing care over collections, boards can begin to reclaim the trust of their patients and communities.

5 See https://justicesquared.org.

*TGI thanks Somava Saha, M.D., M.S., President and CEO, Well-Being and Equity (WE) in the World, and Executive Lead, Well-Being in the Nation (WIN) Network, for contributing this article.* *She can be reached at somava.saha@weintheworld.org.*