the samfund

support for young adult cancer survivors

Your Medical Bills:
A Guide to Coping with Medical Debt

Paying Your Medical Bills

Step 1: First Things First

- **Make sure the charges are correct.** Look at the bill to see if you really received all the services you were charged for, and were not charged duplicate fees or for canceled appointments. If not, talk to the medical provider and ask to have the bill corrected. If you think there may be errors, you can get an itemized copy of your bill for free by calling your provider's billing office. You can also get a copy of your medical records to check if you received the services for which you are being charged.
- **Make sure your insurance has paid what it should.** If you have Medicaid, Medicare, or other insurance, make sure the hospital or medical provider sent your bill to the insurer with your correct Medicaid or insurance policy number. Also, look at the notice your insurance company sends you, called an "Explanation of Benefits," or "EOB." If the insurer refused payment for anything, look for the reason, which may be listed on the bottom or back of the notice or in small print.
- **Check your appeal rights.** The explanation of benefits notice should tell you a little about your appeal rights. Besides asking the plan to review its decision, you may be able to appeal to someone who is independent of the health plan.

Step 2: If You Can't Afford to Pay

- **Find out if you are eligible for Medicaid or other coverage that can pay your back bills.** Generally, seniors, people with disabilities, children, and parents of dependent children may be eligible for Medicaid if they have very low incomes. In many states, the Medicaid agency will also take large medical bills into account when determining eligibility. Medicaid can often go back and pay bills that are up to three months old. If you recently lost a job that provided health insurance, see if you can still sign up for COBRA. If you pay COBRA premiums back to the date you lost your coverage, it can pay medical bills back to that time.
- **Find out if you can get financial assistance from the hospital or medical provider or from another source.** Many hospitals in the United States provide some free or low-cost care, sometimes referred to as "charity care," to uninsured or low-income people who cannot

otherwise afford to pay their bills. Other medical providers, such as clinics, doctors, dentists, and home health agencies, may also have financial assistance programs.

- **Try to negotiate with the hospital or other health care providers.** You may find that your providers are willing to reduce their fees. They may also agree to let you get on a payment plan and pay over time to avoid going into collections. If you succeed in negotiating reduced bills and/or a time extension, be sure to get the agreement in writing and keep records documenting these agreements. Also, tell other providers that treated you— sometimes the fact that a hospital offered you free or low-cost care will encourage your other providers to assist you as well.

Step 3: Be Careful How You Pay

- **Create a list of other debts and bills (mortgage, auto, utilities, taxes, child support, etc.) and figure out which to pay first.** Don't ignore any of your bills when you are in financial trouble—if you do, you risk falling deeper into debt. It is important, however, to set priorities for which bills to pay immediately. (See Helpful Links at end of document for more information)
- **Try not to use credit cards to pay medical bills: Credit cards tend to carry high interest rates and harsh penalties for late payments.** You should pay bills with checks or cash whenever you can. You may be able to work out a payment plan with your provider that does not have the high interest and late fees of a credit card.
- **Do not turn "unsecured debt," like medical debt, into "secured debt" by taking out a second mortgage, for instance.** Medical debt is "unsecured," meaning that no assets are used as collateral for the debt. However, once you take out a second mortgage (also called a home equity loan) to pay for your medical debt, your medical debt becomes "secured" debt. With secured debt, you are now using an asset as collateral. If you are unable to pay off the debt, the creditor can take possession of the asset as payment.

Step 4: If You Fall Deeply Into Debt

- **Weigh the pros and cons before filing for bankruptcy.** You should get expert advice from a legal services program or a reputable consumer credit counseling program and then weigh all of your options before filing. In some cases, bankruptcy may turn out to be your best option for dealing with medical debt. There are two major types of bankruptcy for individuals: Chapter 7 and Chapter 13.
- **Protect yourself if you are sued.** If you are sued, there are a few important steps you should take: keep your court date, try to get legal help, let the court know if there were any mistakes in your bill or if you think you were charged too high a price, let the court know what your expenses are and see if you are exempt from wage garnishment or other collection items.

Understanding Your Rights

1. The federal [Fair Debt Collection Practices Act] protects you from harassment from bill collectors.
2. **Unfair and Deceptive Acts and Practices (UDAP)** statutes guard against medical providers and collectors intentionally deceiving you.
3. The federal [Truth in Lending Act] gives you the right to know the details of your payment plan.
4. [HIPAA] & [Fair Credit Reporting Act] ensure your privacy.
5. Other laws in your state may help protect you.

Additional Information

- **Can medical debt be transferred to a third party collector?** Yes, in most states, your medical provider may hire a collection agency to pursue the bill; or the provider may sell your debt to a collector, who will then become the owner of the debt and keep any money they collect. It is important that you know to whom you should pay your debts and whether or not your debt can be transferred from your provider to a collection agency or a third party medical debt buyer. It may be harder for you to resolve a debt once it is transferred.
- **Does your state limit how quickly hospitals or other medical providers can turn over debt to a third party collector or debt buyer? What are your hospital's own policies?** Some states, such as California, prohibit hospitals from sending bills to collections while a patient is applying for hospital financial assistance or Medicaid. Some states give patients a few months to work out payment arrangements before they allow hospitals to turn over bills to third party collectors. And some states prohibit a medical provider from trying to collect from the patient when it is really an insurance company that is supposed to pay a bill.
- **What is the allowable interest rate on medical debt?** The interest rate that is charged on medical debt varies from state to state. Moreover, the rate can change if there is a legal judgment against you for repaying the debt or if you have agreed to a higher rate in writing. *Whenever possible, you should try to negotiate a payment plan that is low-interest or interest-free.*
- **When can medical providers report your medical debt to a credit bureau?** As of Sept. 15, 2017, there's a 180-day waiting period before unpaid medical debts can show up on people's credit reports.
- **Can a collector take money from your wages or bank account to pay your medical debt?** Depending on your income and your assets, collectors may be able to deduct a portion of your wages or bank account to repay debt. This is known as garnishment or an attachment. If your income and assets are very low, however, or if your income comes primarily from federal benefits such as Social Security or Supplemental Security Income (SSI), you may be "judgment proof," meaning that collectors cannot force you to pay.
- **If they do take money from your bank account or wages, how does this happen?** In a few states, your bank account can be taken even if the collector has not filed a lawsuit or obtained

consent from a judge. In most states, however, there must be a court order before your wages or bank account can be garnished.

- **If your wages are garnished, how much can they take?** There is a federal limit to wage garnishment under the Consumer Credit Protection Act, which uses a formula to determine the amount of your income that can be garnished. To illustrate, in 2009, the minimum wage is $7.25, and 30 times the minimum wage is $217.50. So, you must be allowed to keep up to $217.50 of weekly disposable income (after taxes are deducted and not including any Social Security, SSI, veterans benefits, or unemployment income), or ¾ of your earnings after making these deductions, whichever is higher.
- **How long can medical debt last?** States have laws that limit the amount of time that creditors or collectors can bring legal action against you to collect on your debt; the time ranges from two to 20 years.
- **What can you do if you think your rights have been violated?** Statewide agencies such as Attorney General offices and Division of Consumer Affairs offices have procedures for filing complaints against other parties. You should check with the appropriate department to learn how to file a complaint.

Helpful Links

Prioritizing Bills

- https://money.usnews.com/money/personal-finance/articles/2014/11/26/how-to-prioritize-bills-when-youre-low-on-cash
- https://www.moneycrashers.com/bills-pay-off-first/
- http://www.greenpath.com/resources-tools/financial-library/money-management/bills-you-should-pay-first

Legal Support

- Free Legal Assistance: https://www.lawhelp.org/
- Cancer Specific Legal Assistance: http://cancerlegalresources.org/
- Cancer Specific Legal Assistance: http://www.nclsn.org/

Bankruptcy Fact Sheet: https://www.justice.gov/ust/bankruptcy-fact-sheets

Patient Advocate Foundation: http://www.patientadvocate.org/about.php?p=907

Centers for Medicare and Medicaid Coverage: https://www.cms.gov/

This document includes excerpts from a guide, created in 2009, that describes some steps you can take to reduce medical bill payments. To view the complete document click here.