

Medical Debt Program Helps Des Moines Families Stabilize Their Finances

Imagine being rushed into emergency surgery to have your lung removed and then finding out later, during a difficult and painful recovery, that you owe more than \$150,000 to the hospital.

That was the grim reality that “Ibrahim,” a Des Moines, Iowa resident and Sudanese immigrant, faced after he was treated for a life-threatening condition. Ibrahim had applied for Medicaid but because of a processing delay he was not covered at the time of the surgery. When medical bills started piling up, Ibrahim, who did not want to give his real name, worried that he would lose everything.

Building family economic success requires a combination of strategies that help families secure a steady income, stabilize their finances and accumulate savings and assets. Medical debt can derail any progress toward this goal, and for low-income families, it can lead to credit card debt, home foreclosure and even bankruptcy. And as the bills pile up, families often put off regular doctor visits to save money or avoid clinic administrators, a situation that makes them more vulnerable to illness. This combination of poor health and mounting debt can keep a family mired in poverty and despair.

Fortunately for Ibrahim, he got help and avoided financial ruin. He went to the Neighborhood Health Initiative (NHI) in Des Moines where he spoke with Almardi Abdalla, a counselor who contacted hospital officials as well as Medicaid representatives on his behalf. In the end, the hospital forgave much of Ibrahim’s debt. The remaining bills were covered by Medicaid, which retroactively registered him for health care coverage. “Within a couple weeks the hospital wrote to him and told him that they would forgive most of the debt,” Abdalla said. “He was so excited that he came to me and showed me the letter and shook my hand. He was crying. It was really very moving.”

Medical Debt is a Growing National Problem

NHI partnered with The Access Project (TAP), a Boston-based resource center for communities working to improve healthcare access, to set up the medical debt program. Since 1998, TAP has helped hundreds of people regain their financial footing following a hospital stay, accident or emergency surgery. In 2007, TAP received funding through the Annie E. Casey Foundation to replicate its Medical Debt Resolution Program in several communities, including Des Moines. So far, the NHI program, which receives funding from Iowa Health-Des Moines, has helped clients to retire more than \$300,000 in debt.

Health care costs have skyrocketed in recent years and so has the price of insurance. From 2000 to 2005, health insurance premiums increased by 73 percent, while workers’ wages rose by only 15 percent. As a result, many companies have cut healthcare benefits and many workers have had to make due with insufficient coverage or, in some cases, no coverage at all. With each passing year, more and more families face staggering medical expenses.

Source: Annie E. Casey Foundation

<http://www.aecf.org/MajorInitiatives/FamilyEconomicSuccess/FESinAction.aspx>

A 2007 survey of low- and middle-income households by TAP found that nearly a third, or 29 percent, reported that medical expenses contributed to their credit card debt. A 2005 survey of eight cities including Des Moines found that nearly half, or 46 percent, of working, low-income families had medical debt, and of those, a quarter, or 27 percent, had housing problems as a result.

“Medical debt is a national problem,” said Mark Rukavina, director of TAP. “The most recent national data shows that one in four American adults under 65 years of age had medical debt. That jumped from one in five adults just two years earlier.”

Rukavina and his team arrived in Des Moines in April 2008 and trained outreach workers from NHI and A Mid-Iowa Organizing Strategy (AMOS), a faith-based group formed by local religious leaders and their congregations. Accounting staffs from two large hospitals also attended, said Becky Miles-Polka, a consultant with *Making Connections*, a Casey Foundation project launched in 1999 in Des Moines and nine other cities. The decade-long initiative builds partnerships of residents, community-based organizations, local government, businesses, and others, to strengthen vulnerable families’ connections to economic opportunity, positive social networks and effective services and supports. Other *Making Connections* sites include: Denver, CO; Hartford, CT; Indianapolis, IN; Louisville, KY; Milwaukee, WI; Oakland, CA; Providence, RI; San Antonio, TX; and Seattle, WA.

Trained Counselors Work with Clients to Reduce Debt

After the training, outreach workers talked about the new program with their clients and it wasn’t long before NHI had its first big debt relief success story – Ibrahim. Most of the 49 families who have sought relief don’t have enormous medical bills like Ibrahim faced, but no matter the amount, they appreciate the help.

Since late spring 2008, when the program started, Boursy Quang, project manager of the NHI debt project, and her staff of four counselors, have resolved debt for 27 Des Moines families, either through public assistance programs such as Medicaid or State Children’s Health Insurance Program (SCHIP), or hospital debt forgiveness programs. Another 22 families are still working with counselors to cut debt. And, with the current recession and growing unemployment, they are expecting that an increasing number of families will be seeking their assistance.

Everyone is pleased with the program so far, Quang said. “Although no case is exactly the same, everyone is happy to get some help. It’s so stressful when you can’t take your baby to the hospital because you still owe money from the last visit.”

NHI Counselor Lena Hoang recently helped a family of Vietnamese immigrants deal with \$8,000 worth of medical debt that accrued after an elderly relative who didn’t have U.S. healthcare coverage got sick and had to stay in the hospital for several days. With food and housing costs on the rise, the family was worried that they would not be able to pay off the debt. “People get overwhelmed when they see how much debt they have,

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compared to how much they make,” said Hoang, who acted as a liaison between the family and the hospital.

After several weeks of negotiations, Hoang was able to reduce the debt and the family was able to pay the bill. Sometimes people don’t know that they qualify for programs such as Medicare or Medicaid. “A lot of times, people don’t know their options,” she said. “They are surprised sometimes at how much money is available to them due to their age or economic status.”

Program Benefits Hospitals as Well as Clients

One reason the program has been so successful is that hospital administrators are also participating. A former hospital administrator, Miles-Polka knows how frustrating and costly medical debt can be. She said it was exciting to see outreach workers and hospital staff working together to solve medical debt.

A regional survey, conducted a few years ago with TAP, showed that Des Moines residents shoulder more medical debt on average than many Americans. Miles-Polka said that may be due to local hospital billing procedures, as well as a lack of public information about hospital payment plans and debt forgiveness programs. Since joining forces with NHI to reduce medical debt, two private hospitals in Des Moines have changed their billing processes and they are seeing positive results, said Miles-Polka.

“We’re still working some of the bugs out, but by working closely together, we are getting resources back to our health system partners,” Miles-Polka said, referring to payments to hospitals made as a result of signing residents up for Medicaid and veterans benefits, as well as working out long-term payment plans.

Miles-Polka said that without the new medical debt counseling program, hospitals probably would spend months or years trying to recoup the money they are owed. The program helps to reduce the amount of money hospitals pay to collection agencies and for cumbersome court filings.

Medical Debt Advocacy Leads to More Innovation

Collection agencies hired by hospitals have been after Kimberly and Mark Smith for years. The couple acquired about \$37,000 of debt over several years when Mark lost his job as a diesel mechanic and then Kimberly lost her job in retail sales. Initially, their diminished earnings qualified them for Medicaid, but when Mark got a new job they signed up for his company’s plan, which offered only partial medical coverage.

When their little boy had to have tubes implanted in his ears to prevent infections, the couple was responsible for a portion of the surgery bill, but didn’t have enough money to cover it. Later, during Kimberly’s second pregnancy, the family incurred more debt; and recently, surgery on Kimberly’s wrist added to their pile of bills.

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“Some hospitals are willing to work on a payment plan, but they want you to pay \$30 a month,” said Kimberly. “When you tell them that you can’t afford even that, they say, ‘Why?’ But if you have 18 debtors and each one wants \$30 it adds up quickly.”

The Smiths have declared bankruptcy twice and they lost their home to foreclosure last year. They are working with Quang at NHI to straighten out their medical debt and recover from several years of financial heartbreak. So far, the couple has reduced their medical debt to about \$2,500. They hope to be debt-free in 2009.

Indeed, the medical debt advocacy program has been such a success that recently NHI and TAP started working on a new project: A “health share card” that would work like an ATM card and allow participants to “pay” for certain healthcare services such as a prescription or doctor’s visit. The cards would be pre-loaded with visits paid for by a public health clinic, pharmaceutical company or other provider, and just like VISA or MasterCard, there would be user rewards. Although the card is still in development, it’s an innovative idea that NHI and TAP officials say could be another “win-win” situation.

“We believe this will be a program that will be particularly effective for people with a chronic disease such as diabetes or asthma but who don’t access care because they don’t have the resources,” said Mark Rukavina of TAP. “We want to encourage them to take care of their disease.”

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