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Paper Cuts: How Medical Bills Bleed Americans Dry

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Abstract

Medical debt has emerged as a pervasive crisis impacting over 100 million Americans, profoundly affecting both financial stability and access to healthcare. This paper investigates the historical origins, current magnitude, and systemic consequences of medical debt in the United States. It analyzes recent federal interventions, particularly the Biden-Harris administration's 2025 Consumer Financial Protection Bureau rule aimed at removing medical debt from credit reports, as well as state and nonprofit initiatives designed to alleviate existing burdens. Drawing insights from interviews with University of Chicago health policy experts and a policy analyst from Undue Medical Debt, this research assesses the efficacy and limitations of medical debt relief programs. Further, it explores the precariousness of these advancements under the second Trump administration, highlighting the risk posed by deregulation and the withdrawal of pandemic-era funding. Ultimately, this paper argues that durable solutions must move beyond reactive relief measures and pursue comprehensive policy reforms centered on affordability, equity, and empathy within the American healthcare system.

Dedication

To Mom and Dad, for teaching me to love to learn.

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Paper Cuts: How Medical Bills Bleed Americans Dry

Harold Pollack still remembers the night his wife woke up gasping for air. Chest pains, in the middle of the night.

He hesitated. *It's probably nothing*, he thought. Indigestion, maybe. And the emergency room would cost hundreds of dollars, money they didn't have to throw away. For a moment, he almost let fear of the bill outweigh fear for her life. "I almost didn't take her to the hospital because I was thinking about how much money we would have had to have paid for something that was probably nothing," Pollack later admitted.[1]

But he took her anyway. It turned out to be a life-threatening heart infection.

Pollack is a tenured professor at the University of Chicago, a health policy expert, and a longtime caregiver for a family member with a serious disability. If someone like him—insured, educated, and professionally stable—could almost choose not to seek life-saving care because of the price tag, what chance does an uninsured single parent have? Or a minimum-wage worker living paycheck to paycheck?

This is the hidden toll of medical debt in America: not just the bills that haunt people afterward, but the care that never happens in the first place. Pollack emphasizes that "one of the issues in medical debt that people often overlook is the care that people never receive because they are afraid they're going to end up in debt." The moment when survival becomes a financial calculation. The gamble that too many Americans are forced to make. This paper explores the landscape of medical debt relief, and asks a simple, urgent question: how do we build a health care system where no one has to hesitate?

[1] Harold Pollack, in discussion with the author, online (Zoom), April 21, 2025.

To answer this, the paper begins by tracing the origins and scope of medical debt in the United States, before examining how it becomes weaponized through credit and collections systems. From there, the paper analyzes nonprofit and state debt relief efforts, highlighting both their promise and the structural limitations that remain. Particular attention is paid to the changing federal landscape under the second Trump administration. Finally, the paper assesses the effectiveness of debt forgiveness initiatives and proposes upstream policy reforms to move from reactive relief toward a more equitable and humane healthcare system.

Federal Policy Backgrounder

The Origins of Medical Debt in America

On paper, the United States is one of the richest nations on earth. In practice, it's the only wealthy country where getting sick can cost you your livelihood. An estimated 100 million people—roughly 41 percent of working-age Americans—carry health care debt.[2] In 2024, a Kaiser Family Foundation analysis of government data put the total medical debt owed at $220 billion.[3] Two in five people who incurred medical debt emptied their savings to pay for it, and over a third cut back on necessities like groceries or electricity.[4] The human toll behind these numbers is stark. Betsy Cliff, a health economist at the University of Chicago, recalls visiting an Oregon family facing the unthinkable: their teenage son's cancer diagnosis had left them with over a million dollars in debt. "They had this shed behind their house just filled with paperwork that they didn't have time to go through," she said, describing how medical bills overwhelmed

[2] Shameek Rakshit et al., "The burden of medical debt in the United States," *Peterson KFF Health System Tracker*, February 12, 2024, https://www.healthsystemtracker.org/brief/the-burden-of-medical-debt-in-the-united-states/.
[3] Shameek Rakshit et al., "The burden of medical debt."
[4] Sara R. Collins, "The Federal Rule on Medical Debt," *The Commonwealth Fund*, February 27, 2025, https://www.commonwealthfund.org/publications/explainer/2025/feb/federal-rule-on-medical-debt/.

the family. “I was just like, we’re a developed, rich country. Why is this happening?”[5] The first question we must answer, then, is how did medical debt become so central to American life?

The first part of the answer lies in the unforgiving arithmetic of U.S. health care. Americans are exposed to extraordinarily high medical costs, even if they have insurance. In 2021, medical bills accounted for 58 percent of all bills in collections, by far the largest share of any debt type.[6] This reflects both the high cost of health care and the weaknesses in our insurance system. Unlike a car or a home, a hospital stay is not a purchase most people plan for. Illness strikes unpredictably, and when it does, patients find themselves almost entirely dependent on medical professionals and hospitals to tell them what care they need.

Medical debt can take many forms in the United States.[7] Often it begins as an outstanding balance owed directly to a hospital, doctor, or other healthcare provider when a patient cannot pay a bill in full. In some cases, patients arrange installment payment plans with the provider, turning one large medical bill into a series of smaller ongoing payments over time. If a bill remains unpaid for too long, many providers will assign or sell the debt to third-party collection agencies, triggering aggressive collection efforts and potential damage to the patient’s credit. And not all medical debt is immediately recognizable as such—many people charge medical expenses to a credit card, effectively converting their hospital bills into high-interest debt. Regardless of the form it takes, medical debt arises when someone in need of care is left with bills they cannot afford, often with lasting financial consequences for the patient and their family.

[5] Betsy Cliff, in discussion with the author, online (Zoom), April 24, 2025.
[6] Sara R. Collins, “The Federal Rule on Medical Debt.”
[7] Lindsey Zischkale, “From Medical Bill to Medical Debt,” *Undue Medical Debt*, December 10, 2024, https://unduemedicaldebt.org/from-medical-bill-to-medical-debt/.

The United States prides itself on medical advancement, but that progress comes at a price. “We allow people a lot of choices … and we have very good medical care if you can pay for it,” Betsy Cliff observed of the American system.[8] In her view, the prevalence of medical debt is not simply an accident but a consequence of how the U.S. chooses to allocate health services. “I would call it sort of a collective choice, that medical care is available for those who can pay for it,” Cliff explained, noting that every country must ration care in some way. “There’s always some sort of mechanism to ration … and so, we’ve chosen price,” she said, while other wealthy nations might limit services or impose waiting times.[9] The result is a system where enormous medical bills are a feature, not a bug, with families and even providers caught in the fallout.

Even with insurance, the bills can be staggering. Over the past few decades, as health care costs outpaced wages, employers shifted more expenses to workers through high-deductible plans and co-pays. Back in the 1980s, “the big problem was the uninsured,” University of Chicago health administration and policy expert Colleen Grogan reflected, “and in some ways that's still the problem today.” Thanks to measures like the Affordable Care Act’s Medicaid expansion, “we've made some significant progress… in terms of insurance coverage,” Grogan acknowledged, “but now we have this affordability problem for people who are actually insured.”[10] Today, 26 million Americans remain uninsured, and millions more are underinsured, paying for coverage that still leaves them with huge out-of-pocket costs.[11] According to a 2024 Commonwealth Fund survey, 35 percent of Americans who were uninsured during the year had

[8] Cliff, interview.
[9] Cliff, interview.
[10] Colleen Grogan, in discussion with the author, online (Zoom), April 22, 2025.
[11] Sara R. Collins and Avni Gupta, “The State of Health Insurance Coverage in the U.S.: Findings from the Commonwealth Fund 2024 Biennial Health Insurance Survey,” *The Commonwealth Fund*, November 21, 2024, https://doi.org/10.26099/byce-qc28.

medical debt, and 44 percent of those considered underinsured did as well.[12] In other words, having an insurance card is no longer a guarantee that you'll be protected from financial fallout if you get sick.

Importantly, the burden of medical debt has not fallen evenly on all Americans; it has deepened systemic inequalities. In places like Knoxville, Tennessee, residents of predominantly Black neighborhoods are twice as likely as those in white neighborhoods to have medical debt in collections.[13] Nationwide, Black adults with health-related debt are twice as likely to say they've been denied care because of unpaid bills.[14] Geography plays a role too. The South, with higher uninsured rates and lower median incomes, has the greatest concentration of medical debt. Twelve of the 13 states with double-digit shares of adults carrying medical debt are in the South or Appalachia.[15]

Federal policies have tried to plug these gaps, with mixed results. The Affordable Care Act of 2010 dramatically expanded coverage through Medicaid, bringing the uninsured rates to historic lows and requiring nonprofit hospitals to offer financial assistance programs, reducing the magnitude of unpaid medical bills in many states. Medical debt in collections fell significantly more in states that expanded Medicaid eligibility compared to those who did not.[16] Expansion was optional for states, however, and as of 2025, ten states still haven't expanded Medicaid access.[17] The consequences are evident: 79 out of the 100 U.S. counties with the

[12] Sara R. Collins, "The Federal Rule on Medical Debt."
[13] Noam N. Levey et al., "Upended: How Medical Debt Changed Their Lives," *KFF Health News*, December 21, 2025, https://kffhealthnews.org/news/article/diagnosis-debt-investigation-faces-of-medical-debt/.
[14] Noam N. Levey et al., "Upended: How Medical Debt Changed Their Lives."
[15] Shameek Rakshit et al., "The burden of medical debt."
[16] Raymond Kluender et al., "Medical Debt in the US, 2009-2020," *Journal of the American Medical Association*, July 20, 2021, https://jamanetwork.com/journals/jama/fullarticle/2782187/.
[17] Sammy Cervantes et al., "How Many Uninsured Are in the Coverage Gap and How Many Could be Eligible if All States Adopted the Medicaid Expansion?," *KFF Health News*, February 25, 2025, https://www.kff.org/medicaid/issue-brief/how-many-uninsured-are-in-the-coverage-gap-and-how-many-could-be-eligible-if-all-states-adopted-the-medicaid-expansion/.

highest levels of medical debt are in states that did not expand Medicaid.[18] In those places, many working adults fall into a coverage gap, earning too much to qualify for traditional Medicaid coverage but too little to afford high-quality private insurance. Grogan, who has studied Medicaid's evolution, sees today's pervasive medical debt as unmistakable evidence of policy failure. "Yes, it is absolutely a policy failure," she argues—though the U.S. health system is "extraordinarily complex, and so it's always difficult to pinpoint what aspect of policy" is to blame.[19] Decades of piecemeal fixes have left a patchwork of coverage, and millions still fall through the cracks. But the damage doesn't end with being uninsured or underinsured. Once a bill arrives, the very tools of the financial system often turn medical debt into a weapon that extends the pain beyond the hospital room.

How Medical Bills Become Financial Weapons

What happens when those bills arrive and a family can't pay? First, hospitals and doctors' offices will send a series of invoices. They may offer installment plans or screen some patients for charity care, especially nonprofit hospitals, which are required by federal law to have financial assistance programs.[20] But all too often, patients either don't qualify for aid or don't find out it's available until after they're hit with collections. If a bill remains unpaid for a few months, many providers will turn it over to a third-party collection agency. Collection agencies are ruthless—phone calls, letters, and comments/messages on social media flood in, and if this doesn't get a patient to pay, agencies often threaten to report medical debt to credit bureaus, tanking their credit score. Having an account in collections can drop a person's credit score by

[18] Fredric Blavin et al., "Which County Characteristics Predict Medical Debt?," *Urban Institute*, June 2022, https://www.urban.org/sites/default/files/2022-06/Which%20County%20Characteristics%20Predict%20Medical%20Debt.pdf.
[19] Grogan, interview.
[20] Zachary Levinson et al., "Hospital Charity Care: How It Works and Why It Matters," *KFF Health News*, November 3, 2022, https://www.kff.org/health-costs/issue-brief/hospital-charity-care-how-it-works-and-why-it-matters/.

dozens of points, making loans more expensive or impossible to get. This is why medical debt is the single largest toxic entry on Americans' credit reports.[21] As former Consumer Financial Protection Bureau (CFPB) Director Rohit Chopra put it, medical debt has been "weaponized" on credit reports to coerce people into paying bills they may not even owe.[22]

To increase the incentive and urgency to pay off medical debt, hospitals and collection firms sometimes turn medical debt into a legal matter, suing patients to collect what is owed. In Virginia alone, more than a third of hospitals sued patients and garnished their wages in 2017, allowing providers to seize a portion of a patient's paycheck for unpaid medical bills.[23] These hardball tactics yield very little financial benefit for the hospitals—on average Virginia hospitals recover only around 0.1% of their total revenue through wage garnishments, but they can be ruinous for the people on the receiving end.[24] For patients, losing a chunk of each paycheck to a garnishment can mean foregoing basic necessities; one young woman only discovered she'd been sued when her take-home pay dropped so low that she could no longer afford food.[25] Beyond the financial damage, the emotional toll is profound: the stress of a lawsuit and the fear of losing one's income weigh heavily on patients. In effect, hospitals and debt collectors have turned the courts into another front where medical bills become financial weapons against those already vulnerable.

This weaponization often results in people with medical debt delaying or foregoing further medical care. They'll skip medications, cancel follow-up appointments, or avoid the ER

[21] Sara R. Collins, "The Federal Rule on Medical Debt."
[22] Rohit Chopra, "Prepared Remarks of Director Rohit Chopra on New CFPB Medical Debt Report," *Consumer Financial Protection Bureau*, March 1, 2022, https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-of-director-rohit-chopra-on-new-cfpb-medical-debt-report/.
[23] Selena Simmons-Duffin, "When Hospitals Sue For Unpaid Bills, It Can Be 'Ruinous' For Patients," *NPR*, June 25, 2019, https://www.npr.org/sections/health-shots/2019/06/25/735385283/hospitals-earn-little-from-suing-for-unpaid-bills-for-patients-it-can-be-ruinous/.
[24] Selena Simmons-Duffin, "When Hospitals Sue For Unpaid Bills."
[25] Selena Simmons-Duffin, "When Hospitals Sue For Unpaid Bills."

even when they know they need help, for fear of piling up more bills. As a result, some illnesses worsen, turning what might have been a manageable condition into a life-threatening one. Debt can thus become a vicious cycle: those with the worst access to care accumulate debt, and that debt then becomes another barrier to getting care, worsening health outcomes. This self-perpetuating trap is exactly the hidden toll Harold Pollack warns about—the silent crisis of care deferred. "An awful lot of medical debt is never going to be repaid," he told me, "But that doesn't mean that debt hasn't altered people's behavior in ways that could be quite harmful."[26]

In many cases, errors in medical billing or insurance denials can leave patients fighting charges that shouldn't be theirs at all, yet their health and credit suffer in the meantime.[27] Even when accurate, medical debt has little predictive value for creditworthiness, since individuals rarely *choose* to accrue medical debt.[28] Owing a hospital money doesn't mean you're a bad bet to repay a mortgage. That's part of why credit agencies themselves began to backtrack; in 2022, Equifax, Experian, and TransUnion, the three major credit agencies, announced they would remove paid medical collections from credit reports and ignore medical collections under $500.[29] After this voluntary fix, the share of consumers with medical debt on their credit reports fell from around 14 percent to five percent by late 2022.[30] Still, 15 million Americans still had an estimated $49 billion in unresolved medical debt blemishing their credit as of early 2025.[31] In

[26] Pollack, interview.
[27] "CFPB Takes Aim at Double Billing and Inflated Charges in Medical Debt Collection," *Consumer Financial Protection Bureau*, October 1, 2024, https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-aim-at-double-billing-and-inflated-charges-in-medical-debt-collection/.
[28] Office of Research, "Data point: Medical debt and credit scores," *Consumer Financial Protection Bureau*, May 20, 2014, https://www.consumerfinance.gov/data-research/research-reports/data-point-medical-debt-and-credit-scores/.
[29] Sara R. Collins, "The Federal Rule on Medical Debt."
[30] Fredric Blavin et al., "Medical Debt Was Erased from Credit Records for Most Consumers, Potentially Improving Many Americans' Lives," *Urban Institute*, November 2, 2023, https://www.urban.org/urban-wire/medical-debt-was-erased-credit-records-most-consumers-potentially-improving-many.
[31] Sara R. Collins, "The Federal Rule on Medical Debt."

effect, even as medical debt became less visible on credit reports, it remained deeply present in people's lives.

Against this backdrop, the Biden-Harris administration's January 2025 CFPB rule can be seen as a long-overdue relief valve. Just days before leaving office, the Biden-Harris administration finalized a rule banning medical debts from credit reports.[32] The rule would wipe an estimated $49 billion in medical bills from the credit histories of roughly 15 million Americans. "No one should be denied economic opportunity because they got sick or experienced a medical emergency," Vice President Kamala Harris declared as she announced the rule.[33] By erasing medical debts from credit reports, the CFPB rule aims to stop the cycle of credit destruction and anxiety that follows a bout of illness. The new rule also forbids lenders from factoring medical bills into loan decisions, effectively nullifying the traditional power of these debts to haunt patients' financial futures.[34] And so, even as federal regulators finally treat medical debt as the unique disease it is, the question remains: what about the mountain of debt already out there, and new debt that accrues every day? To answer that, we turn to the burgeoning movement to wipe these debts away.

Debt Relief in Practice: Tales from an Ailing System

Local and Nonprofit Innovation: A Patchwork Relief Model

In 2022, Allison Sesso walked into a meeting with officials from Cook County, Illinois, carrying an ambitious proposal. Sesso is the CEO of Undue Medical Debt, a nonprofit that buys medical debts on the secondary market for a fraction of their face value, often a hundred dollars

[32] "FACT SHEET: Vice President Harris Announces Final Rule Removing Medical Debt from All Credit Reports," *The White House*, January 7, 2025, https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2025/01/07/fact-sheet-vice-president-harris-announces-final-rule-removing-medical-debt-from-all-credit-reports/.
[33] "FACT SHEET: Vice President Harris Announced Final Rule."
[34] "FACT SHEET: Vice President Harris Announced Final Rule."

of debt for $1, and then forgives them.[35] Undue began nearly a decade earlier under the name RIP Medical Debt, founded by two former debt collectors who had witnessed firsthand the misery caused by unpaid medical bills.[36] I had the opportunity to interview Undue Medical Debt Policy Analyst Lindsey Zischkale, who recounted the organization's origins. "We were started by two former debt collectors who were inspired by Occupy Wall Street. I think they had a moment of, 'Okay, what if we just bought this debt and abolished it.'"[37] What started as a shoestring charity blossomed into a national movement. By 2025, the organization had abolished over $15 billion in medical debt for nearly 10 million Americans.[38]

Debt collectors are willing to sell these accounts for pennies on the dollar because the likelihood of full repayment is vanishingly small. For many patients, especially those with older debts or limited means, the chance of recovering the full balance on any one medical bill in particular is negligible. Selling large portfolios at a steep discount allows collectors to recoup some cash upfront without expending further resources on collections efforts that are often costly and fruitless.

Sesso's meeting in Cook County that day was about taking the Undue model to the next level. Traditionally, the nonprofit relied on donations from people who wanted to free others from debt (church groups, everyday donors moved by news stories, the occasional celebrity like John Oliver). Sesso's pitch to Cook County Board of Commissioners President Toni Preckwinkle was different: use government funds—specifically, federal COVID relief dollars from the American Rescue Plan (ARPA)—to wipe out residents' medical debt. In 2022, Cook

[35] Yuki Noguchi, "This group's wiped out $6.7 billion in medical debt, and it's just getting started." *NPR*, August 15, 2022. https://www.npr.org/sections/health-shots/2022/08/15/1093769295/.
[36] Yuki Noguchi, "This group's wiped out $6.7 billion in medical debt."
[37] Lindsey Zischkale, in discussion with the author, online (Zoom), April 21, 2025.
[38] "Our Outcomes & Impact," *Undue Medical Debt*, accessed May 4, 2025, https://unduemedicaldebt.org/our-outcomes/.

County became the first county in America to allocate ARPA money for medical debt relief.[39] They set aside $12 million, partnering with Undue Medical Debt to purchase as many local debts as that money could buy.[40] By early 2023, letters went out informing over 200,000 Cook County residents that their medical bills had been erased. The total amount erased was $382 million.[41]

Buoyed by this success, Illinois' Governor J.B. Pritzker decided to take the model statewide. The Illinois government launched a pilot Medical Debt Relief Program in 2024, also partnering with Undue Medical Debt. By February 2025, Governor Pritzker announced that the program had erased $345 million in medical debt for nearly 270,000 Illinoisans.[42] "We started this program with a simple premise: in a healthy and functioning society, no one should be in financial ruin simply because they get sick," Governor Pritzker said.[43] Looking forward, the state budget for 2026 proposes $15 million more to keep buying out debt.[44]

Other places are following suit. New Orleans, Toledo, and several city governments in California and Texas launched similar partnerships, using one-time federal funds from the COVID-era to buy and forgive medical debt for their residents.[45] The Biden White House actively encouraged this trend: in February 2023, the Biden-Harris administration put out a fact sheet clarifying that ARPA funds could indeed be used for medical debt relief. Thanks to this

[39] Dawn Reiss, "Undoing Debt," *Chicago Health Online*, April 10, 2025. https://chicagohealthonline.com/undoing-debt/#:~:text=funds%20from%202021%27s%20American%20Rescue,for%20medical%20debt/.
[40] "Cook County Medical Debt Relief Initiative Abolishes over $280 Million in Medical Debt for Cook County Residents," *Undue Medical Debt*, accessed May 4, 2025, https://unduemedicaldebt.org/press-release/cook-county-medical-debt-relief-initiative-abolishes-over-280-million-in-medical-debt-for-cook-county-residents/.
[41] Sarah Treuhaft and Ashley Thomas, "The State of Government-Led Medical Debt Cancellation Efforts," *The New School Budget Equity Project*, December 17, 2024, https://budgetequity.racepowerpolicy.org/reports/medical-debt-relief/.
[42] Eunice Alpasan, "Medical Debt Relief Program Erases $345M of Debt for Nearly 270,000 Illinoisans Since Launch Last Year," *WTTW Chicago*, February 26, 2025, https://news.wttw.com/2025/02/26/medical-debt-relief-program-erases-345m-debt-nearly-270000-illinoisans-launch-last-year/.
[43] Eunice Alpasan, "Medical Debt Relief Program."
[44] "Gov. Pritzker Announces Medical Debt Erased For 170,000 Additional Illinois Residents," *Office of Governor JB Pritzker*, February 26, 2025, https://gov-pritzker-newsroom.prezly.com/gov-pritzker-announces-medical-debt-erased-for-170000-additional-illinois-residents/.
[45] "FACT SHEET: Vice President Harris Announced Final Rule."

push, by late 2024, the Treasury Department estimates that states, counties, and cities were on track to cancel about $7 billion in medical debt, benefiting nearly 3 million Americans, by the end of 2026.[46]

This approach is not without its critics. Colleen Grogan argued that "It's very much putting a band-aid on a much larger problem … I would say that this use of ARPA funds undoing debt in this way very much just embeds a dysfunctional system. Because I don't know what the next step is. It's not doing anything around the prices."[47] Even those running relief programs acknowledge these efforts are a stopgap, not a cure. "We recognize ourselves as a band-aid," Lindsey Zischkale told me. Though, she also recognizes that "it's easy to criticize a band-aid when you're not the one getting cut. It's not going to cure the disease, but it's going to make it easier for you."[48] In other words, debt buybacks won't solve the underlying illness of unaffordable health care, but they can stanch the bleeding for families in the meantime. And for thousands of people whose debts have been wiped away, that relief is life-changing. "Each account we abolish is a person, and that person can go get care again," Zischkale emphasized.[49]

Undue acknowledges the critiques as they broker ever-bigger deals. In April 2025, Undue Medical Debt struck a record-breaking agreement to purchase $30 billion worth of old medical debt from a debt trading company.[50] That one transaction alone would protect an estimated 20 million people from being hounded over those bills. Undue is spending $36 million to close the deal. Nonprofit organizations like Undue have shown what's possible, but their model relies on a favorable policy environment and injections of funds to purchase portfolios of medical debt.

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[46] "FACT SHEET: Vice President Harris Announced Final Rule."
[47] Grogan, interview.
[48] Zischkale, interview.
[49] Zischkale, interview.
[50] Noam N. Levey, "Major deal wipes out $30 billion in medical debt. Even backers say it's not enough," *NPR*, April 4, 2025. https://www.npr.org/sections/shots-health-news/2025/04/04/nx-s1-5349500/.

Without additional funding or new legislation that addresses the issue proactively, thousands of families could once again find their medical bills coming back to haunt them instead of being forgiven.

Inside Trump 2.0: The Fight Over Medical Debt Protection

The CFPB ruling was monumental. That lifeline is now in jeopardy. Within days of taking office, President Trump ousted CFPB Director Chopra and installed new leadership hostile to the rule.[51] The CFPB's implementation of the ban was put on pause—an instruction went out to delay any rules not yet in effect.[52] Shortly after, a federal judge in Texas stepped in and blocked the medical debt rule until at least June 2025, siding with an industry lawsuit that claims regulators overstepped their authority.[53] On Capitol Hill, Republican lawmakers moved aggressively to kill the rule outright. Senator Mike Rounds introduced a resolution under the Congressional Review Act to overturn the CFPB's ban, calling it "irresponsible" and a "clear example of regulatory overreach," arguing it would give lenders a "less clear credit picture" of borrowers.[54] If the GOP-led Congress passes the disapproval measure and President Trump signs it, the consumer protection will be nullified. The contrast with the previous administration's stance is glaring: what Biden officials hailed as a long-awaited victory for patients, Trump allies attack as a bridge too far. In the Trump administration, the priority has shifted to shielding

[51] Stefanie Jackman et al., "Yet Another Leadership Change at the CFPB: Jonathan McKernan Nominated as Director," *Troutman Pepper Locke*, February 13, 2025, https://www.consumerfinancialserviceslawmonitor.com/2025/02/yet-another-leadership-change-at-the-cfpb-jonathan-mckernan-nominated-as-director/.
[52] Eamonn K. Moran and Ceijenia J. Cornelius, "CFPB Grinds to a Halt: Impacts on Industry," *Holland & Knight*, February 26, 2025, https://www.hklaw.com/en/insights/publications/2025/02/cfpb-grinds-to-a-halt-impacts-on-industry.
[53] Ken Alltucker, "Biden's rule to bar medical debt from credit reports could soon end. What to know," *USA Today*, May 1, 2025, https://www.usatoday.com/story/money/2025/05/01/trump-asks-court-to-end-biden-medical-debt-rule/83394901007.
[54] "Rounds Leads Resolution to Overturn Biden-Era Medical Debt Rule," *Office of U.S. Senator Mike Rounds*, March 11, 2025, https://www.rounds.senate.gov/newsroom/press-releases/rounds-leads-resolution-to-overturn-biden-era-medical-debt-rule/.

lenders and curbing what they see as excesses of regulation, even at the expense of patients with lingering medical bills.[55]

Beyond credit reports, the federal push to forgive medical debt is also losing steam under the new regime. During the pandemic and its aftermath, Washington encouraged using federal relief funds to buy up medical debt from collectors and forgive it for pennies on the dollar. Now, however, the federal government's stance has pivoted from debt forgiveness to budget frugality. The Trump administration has begun clawing back unspent pandemic relief funds, even those earmarked for health needs. "The COVID-19 pandemic is over, and HHS will no longer waste billions of taxpayer dollars responding to a non-existent pandemic that Americans moved on from years ago," the Department of Health and Human Services declared in March, as it revoked $11.4 billion that had been set aside for public health programs.[56] This abrupt reversal has sent shockwaves through public health and community leaders. Much of the ARPA funding for medical debt relief was already authorized to expire in the next year or two, but pulling out support now, just as many programs are ramping up, threatens to derail ongoing relief efforts.

For nonprofit organizations like Undue Medical Debt, which has facilitated abolishing billions in debt, the shift in federal attitude is sobering. Their model relies on policy support and injections of funds to purchase portfolios of medical debt. With Washington turning off the tap of ARPA money, those one-time infusions will dry up. Moreover, many state and city initiatives are time-limited experiments. Without additional funding or new legislation, thousands of

[55] To his credit, on May 12, 2025, President Trump signed an executive order on prescription drug pricing aimed to lower drug costs by tying U.S. prices to the lowest available international prices. For a longer discussion of the potential benefits, political motivations, and implications of this new initiative, see Appendix A: The Trump Administration's 2025 Drug Pricing Initiative.

[56] Brandy Zadrozny, "CDC is pulling back $11B in Covid funding sent to health departments across the U.S.," *NBC News*, March 25, 2025, https://www.nbcnews.com/health/health-news/cdc-pulling-back-11b-covid-funding-sent-health-departments-us-rcna198006/.

families could again find their medical bills coming back to haunt them instead of being forgiven.

Betsy Cliff stressed that how we deal with medical debt is ultimately a reflection of political choices. And the political winds have shifted. Cliff and others predict that under the new administration, "we all think the Medicaid cuts are going to come."[57] Rolling back Medicaid expansion or cutting coverage would likely increase the ranks of the uninsured and underinsured, leading to more people unable to pay medical bills. Such moves, Cliff warned, might even backfire by sparking public demand for change: it "will force a lot of people to want really significant change," she noted. Healthcare debt could become an even bigger political flashpoint, "but some of the authoritarian directions … I worry about a lot."[58] In other words, while hardship may build pressure for reform, there is also a risk that anti-democratic maneuvers could stifle the public's ability to push for those solutions.

From Relief to Reform: Assessing the Impact and Future of Debt Policies

Is debt relief even effective?

Taking a step back, as policymakers and philanthropists have rushed to fund medical debt relief programs in recent years, a natural question has followed: *Do these efforts actually work?* A landmark 2024 study by economists Raymond Kluender, Neale Mahoney, Francis Wong, and Wesley Yin sought to answer this question.[59] Their team partnered with Undue Medical Debt to conduct two large-scale randomized controlled trials testing the effects of forgiving medical debt for more than 80,000 individuals. The study focused on downstream debt relief: medical bills that have already been sent to collections, often months or years after the original health event. In

[57] Cliff, interview.
[58] Cliff, interview.
[59] Kluender et al., "The Effects of Medical Debt Relief: Evidence from Two Randomized Experiments," *National Bureau of Economic Research*, November 2024, DOI: 10.3386/w32315.

one experiment, the authors purchased newly charged-off hospital debt before it reached collections; in another, they purchased older debt already held by third-party collectors. Across both studies, the researchers tracked financial and health outcomes using credit bureau data, collection records, and follow-up surveys. They also took advantage of changes in industry credit reporting practices to test whether removing debt from credit reports meaningfully affected access to credit.

The results were sobering. The researchers found that forgiving medical debt had, at best, very modest effects. When debts were still being reported to credit bureaus, debt relief raised credit scores by just a few points, barely enough to influence loan access or interest rates. The study also found no statistically significant changes in health outcomes, psychological distress, or patients' willingness to seek future care. If anything, some recipients were more likely to default on new medical bills, possibly because they expected additional forgiveness or misunderstood the extent of their relief.

In short, the study concluded that while medical debt relief may ease an emotional burden or offer symbolic value, it does little to change the economic reality of those it aims to help—at least when delivered after the damage is already done. As Betsy Cliff put it, "If medical debt is one of 20 debts that you have, and your credit score is going to be poor anyway, then relieving one of those debts is not really going to measurably help you a whole lot."[60]

Still, the limited effects documented in the Mahoney study do not negate the broader importance of the relief efforts discussed earlier in the paper. These programs offer immediate emotional and financial reprieve for patients, generate public awareness, and lay the groundwork for more systemic reforms. While the study suggests that debt relief alone is not a panacea, it

[60] Cliff, interview.

underscores the need for a multi-pronged approach. The most promising interventions, the authors suggest, are upstream—delivered closer to the initial moment of care, when patients are still deciding whether or how to seek treatment.

Policy Recommendations

Fortunately, we know what works to prevent medical debt before it accumulates. The first imperative is to expand health coverage, especially in the ten states that have yet to adopt Medicaid expansion under the Affordable Care Act. Ample evidence shows that insurance expansion dramatically reduces medical debt. States that expanded Medicaid saw new medical debt drop by 44%, compared to just a 10% decline in non-expansion states.[61] By extending Medicaid eligibility to low-income adults, those states spared thousands from incurring bills they couldn't pay. Today, however, 10 holdout states (including Florida, Texas, and Georgia) still refuse the federal funds to cover their working poor.[62] Bringing Medicaid expansion to these remaining states would extend insurance to millions who currently fall into the "coverage gap"—people with incomes too high for traditional Medicaid but too low to afford private insurance.

Recent evidence is encouraging. In 2023, North Carolina's Department of Health and Human Services devised a first-of-its-kind program that essentially bribes its hospitals to eliminate medical debt and change their future billing practices.[63] Here's how it works: North Carolina decided to expand Medicaid in late 2023, which meant a windfall of federal funds flowing into its hospitals. The state got approval to attach conditions to some of that money. The deal stipulates that any patient debt owed to those hospitals, dating back to 2014, would be

[61] Raymond Kluender et al., "Medical Debt in the US, 2009-2020."
[62] "Status of State Medicaid Expansion Decisions," *KFF Health News*, May 9, 2025, https://www.kff.org/status-of-state-medicaid-expansion-decisions/.
[63] "CMS Approves North Carolina's Medical Debt Relief Incentive Program," *North Carolina Department of Health and Human Services*, July 29, 2024, https://www.ncdhhs.gov/news/press-releases/2024/07/29/cms-approves-north-carolinas-medical-debt-relief-incentive-program/.

erased for people who are now enrolled in Medicaid. In addition, starting in 2025, the hospitals must adhere to robust charity care requirements: providing a 100% discount to patients with incomes up to 200% of the federal poverty level, a 75% discount up to 250% of poverty, and a 50% discount up to 300% of poverty. They also agreed to proactively screen patients for financial aid, so that eligible patients aren't missed. This policy design recognizes that for hospitals, many of those old debts were never going to be paid anyway. Every single acute care hospital in North Carolina—all 99 of them—signed on.[64] By clearing the books and beefing up charity care, hospitals can help patients and maybe even save on future collection costs, while gaining assured Medicaid reimbursements going forward.

However, any solution to the ills of the U.S. healthcare system must be more comprehensive. As Colleen Grogan noted in our interview, lack of coverage has been "the big problem" in U.S. health care for decades, and while the Affordable Care Act made "significant progress…now we have this affordability problem for people who are actually insured."[65] In other words, universal coverage is necessary but not sufficient—policymakers must also tackle the costs facing people with insurance.

The second key step is to rein in the underlying cost of care. Insurance only helps if hospital stays, medications, and procedures are reasonably priced; otherwise, even insured patients can drown in debt. The United States tolerates exorbitant medical prices in ways most other wealthy nations do not. Colleen Grogan explains that this has been a deliberate choice in the way we have designed our healthcare system. "There is no country that has figured out really how to not create some type of equity issue in allocating its health care. You don't have to dig far

[64] "North Carolina Hospitals Sign On to Relieve Medical Debt," *North Carolina Department of Health and Human Services*, August 12, 2024, https://www.ncdhhs.gov/news/press-releases/2024/08/12/north-carolina-hospitals-sign-relieve-medical-debt/.
[65] Grogan, interview.

to hear about wait times in countries that have a more equitable form from a pricing standpoint."[66] However, even without strict price caps, other advanced nations either loosely regulate prices or negotiate them centrally, and as a result, their patients pay far less at the point of service.[67] In Germany, for example, patients pay so little out-of-pocket for care that medical debt is practically nonexistent—the federal statistical office doesn't even track it.[68] Policymakers in the U.S. could pursue similar strategies to curb how much hospitals and drug companies can bill patients. Congress has already taken a small step by empowering Medicare to negotiate prices for a limited set of high-cost prescription drugs as part of the 2022 Inflation Reduction Act.[69] Expanding this authority—allowing Medicare to negotiate more drug prices and enabling private insurers to use those negotiated rates—would meaningfully reduce out-of-pocket costs for millions of patients. In tandem with broad insurance coverage, taming the cost of care is crucial to keep Americans from sliding into debt.

Third, policymakers must shield patients from predatory billing and collections practices. Even when some medical debt is unavoidable, it need not lead to financial ruin. Here, too, recent policy experiments offer a guide. The CFPB's rule banning medical bills from consumer credit reports was one such safeguard, designed to ensure that a bout of illness doesn't wreck a person's credit score when they seek a loan. But additional protections are needed at the point of service and during collections, especially as federal regulations are reversed. One model is New York, where in 2022 the state enacted a law prohibiting hospitals from placing liens on patients'

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[66] Grogan, interview.
[67] Jason Kane, "Health Costs: How the U.S. Compares With Other Countries," *PBS News*, October 22, 2012, https://www.pbs.org/newshour/health/health-costs-how-the-us-compares-with-other-countries.
[68] Noam N. Levey, "Lessons from Germany to help solve the U.S. medical debt crisis," *NPR*, December 14, 2022, https://www.npr.org/sections/health-shots/2022/12/14/1142601526/lessons-from-germany-to-help-solve-the-u-s-medical-debt-crisis.
[69] "Medicare Prescription Drug Affordability," *Centers for Medicare & Medicaid Services*, May 12, 2025, https://www.cms.gov/priorities/medicare-prescription-drug-affordability/medicare-prescription-drug-affordability.

homes or garnishing wages over medical bills—outlawing some of the most extreme tactics that hospitals once used to chase debts.[70] Other states have similarly stepped up. Illinois and Maryland, for example, now require hospitals to offer more generous financial assistance to low-income patients and to screen patients for eligibility before sending bills to collection or suing in court.[71] These laws also forbid certain aggressive collection actions outright, building a firewall between illness and insolvency. Colorado and Arizona passed laws capping the interest rates that can be charged on medical debt, preventing the 20% interest shocks that can double a bill over a few years.[72] This patchwork of state actions was, in many ways, a response to the lack of federal action prior to 2022. These measures don't erase debt, but they stop it from snowballing beyond the original amount and protect people from losing everything over medical bills.

Moving forward, more states—and ideally the federal government—should adopt such measures to protect consumers from abusive medical billing. At a minimum, hospitals receiving tax breaks or public funds should not be harassing patients in court over unaffordable bills. Making financial assistance policies more uniform and transparent, and expanding no-cost or sliding-scale care for those of modest means, can ensure that a medical bill doesn't spiral into bankruptcy.

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[70] "Governor Hochul Signs Legislation to Protect Patients with Medical Debt," *Office of Governor Kathy Hochul*, November 23, 2022, https://www.governor.ny.gov/news/governor-hochul-signs-legislation-protect-patients-medical-debt.

[71] Sumaya M. Noush et al., "New Illinois Protections Against Patient Medical Debt May Also Help Reduce Hospital Bad Debt," *McDermott Will & Emery*, December 4, 2023, https://www.mwe.com/insights/new-illinois-protections-against-patient-medical-debt-may-also-help-reduce-hospital-bad-debt/.; Mike Hellgren, "Are you paying too much for healthcare? Medical debt protections are available for Maryland patients," *CBS News*, April 24, 2025, https://www.cbsnews.com/baltimore/news/medical-debt-maryland-hospital-healthcare-tax-breaks-low-income-patients-bill/.

[72] Sara Wilson, "Colorado leads on medical debt protections, even as health care costs remain 'out of control'," *Colorado Newsline*, March 11, 2024, https://coloradonewsline.com/2024/03/11/colorado-leads-on-medical-debt-protections/.; Noam N. Levey, "Medical debt snares millions of people. States, red and blue are passing laws to help," *NPR*, October 7, 2024, https://www.npr.org/sections/shots-health-news/2024/10/07/nx-s1-5135641/medical-debt-solutions-hospitals-republicans-democrats-state-laws/.

Each of these reforms—covering the uninsured and underinsured, curbing medical prices, and civilizing billing and collection—addresses a different facet of the problem. Together, they amount to a comprehensive strategy to ensure that no American has to hesitate at the hospital door for fear of the cost. Unlike one-time debt forgiveness, these upstream solutions strike at the conditions that create medical debt, preventing pain and poverty before they occur. To be clear, implementing such changes will require political will. Industry lobbyists and partisan opponents have fought many of these measures, from Medicaid expansion to price regulation, despite the evidence of their benefits. We have at our fingertips the policy tools to end the medical debt epidemic and ensure a health system where no one is financially punished for getting sick. The path forward is in sight—it's now up to us, as a society, to take it. Only by choosing upstream solutions can we finally stop the bleeding and make medical debt a relic of the past.

Jason's Story

At the heart of every unpaid bill is a human being—someone who, in a moment of crisis, made the only choice they could: to save their own life. I found one such person on the subreddit r/Debt. When I asked "Jason" what it felt like to have their medical debt wiped away by Undue Medical Debt, his response wasn't what I expected.

"I was like, cool," he said. "Surprised that someone [cared] about my predicament." Jason didn't sound relieved so much as resigned. "There's no way I was ever gonna be able to pay those—so I was not relieved too much; life's been an uphill battle." Medical debt hadn't been the crisis on his mind. Keeping a car running, patching a roof, stretching a paycheck. Those were the daily emergencies. "In a hospital, in an emergency, you can't tell them: 'Okay, don't give me the morphine for my chest pain,'" Jason said. "It's like an involuntary luxury hotel. You

have no choices. You just survive—and then you get the bill." When that bill arrived, it was enormous and entirely beyond his means.

Debt relief from Undue boosted Jason's credit score, but it didn't erase the fact that for millions of Americans, needing medical care can still mean financial ruin. But for a moment, when the letter from Undue Medical Debt arrived, Jason felt something rare: someone cared enough to act. What stuck with me most wasn't the numbers or the policies. It was Jason's simple comment to conclude our conversation: "Thanks for caring. Good luck with college." Even if debt relief came too late to fix everything, it mattered that someone, whether that was Undue Medical Debt, North Carolina legislators, or an undergraduate public policy student writing his senior capstone, recognized his struggle as something worth responding to with action, not blame.

The truth is, no amount of technical fixes—new credit rules, nonprofit buybacks, or debt forgiveness programs—can substitute for what the American healthcare system so often lacks: empathy. Until we build a system that treats health not as a financial transaction but as a basic act of care, we will keep patching wounds that never needed to be inflicted in the first place. The voices of people like Pollack, Cliff, Grogan, Zischkale—and above all, patients like Jason—call on us to remember the human face of this issue. What we need, what Jason reminds us, isn't just policy change; it's a shift in values, a return to empathy as the first principle of care.

Appendix A: The Trump Administration's 2025 Drug Pricing Initiative

On May 12, 2025, the White House issued an executive order titled "Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients."[73] This initiative centers on a "Most-Favored-Nation" (MFN) pricing model, which seeks to tie the prices of drugs in the U.S. to the lowest prices found in other comparable developed countries. Under the executive order, there are three primary directives to achieve MFN pricing. First, the Department of Health and Human Services (HHS) is instructed to facilitate direct-to-consumer purchasing programs so that drug manufacturers can sell medications directly to Americans at the lowest international price (the MFN price). Second, HHS must, within 30 days, identify and communicate "MFN price" targets to pharmaceutical companies for a range of high-cost drugs. In other words, HHS will tell each manufacturer the price it should charge in the U.S. by referencing the lowest price that the drug sells for in similar OECD countries. Third, if manufacturers do not make "significant progress" toward lowering prices to those targets within a short window, HHS is directed to draft regulations to enforce MFN pricing. This could eventually mandate price cuts for Medicare and possibly other payers if voluntary compliance fails.

If successful, the MFN pricing policy could yield tangible benefits for American patients. Tying U.S. drug prices to the lowest prices paid abroad means that out-of-pocket costs could fall substantially for millions of Americans. For example, the average gross U.S. price for rapid-intermediate-acting insulin in 2022 was $27.38 per 100 international units, whereas in France, it

[73] "FACT SHEET: President Donald J. Trump Announces Actions to Put American Patients First by Lowering Drug Prices and Stopping Foreign Free-riding on American Pharmaceutical Innovation," *The White House*, May 12, 2025, https://www.whitehouse.gov/fact-sheets/2025/05/fact-sheet-president-donald-j-trump-announces-actions-to-put-american-patients-first-by-lowering-drug-prices-and-stopping-foreign-free-riding-on-american-pharmaceutical-innovation/.

was $2.14 per 100 IUs.[74] The MFN model would aim to bring the American price closer to the $2.14 benchmark (or raise the price in all non-U.S. countries).

This would directly save money for patients and for payers like government programs and private insurers. Beyond immediate price reductions, the policy could also force greater pricing transparency. Drug companies would have to justify why a given medication should cost more in the U.S. than elsewhere, which could pressure them to moderate price hikes. If the policy lowers even some drug bills, it could have a real human impact—for instance, making insulin affordable for diabetics who previously skipped doses due to cost, or allowing seniors to fill all their prescriptions without having to choose between medicine and groceries.

While the potential benefits are clear, the timing and framing of this initiative also carry unmistakable political undertones. It's instructive to view this 2025 effort in light of Trump's earlier failed attempt at drug pricing reform. In July 2020, months before the presidential election, he issued an executive order to institute an MFN rule for Medicare drug payments.[75] While it did result in an interim rule, the policy was swiftly blocked in federal court and never took effect. By resurrecting the MFN idea now, Trump is both doubling down on a populist proposal he clearly favors and seeking a policy win that eluded him in his first term. The difference is that in 2025, with a fresh term and a potentially more sympathetic judiciary, his administration has more runway to implement the complex rulemaking needed. And if the rule is

[74] Assistant Secretary for Planning and Evaluation, "Comparing Insulin Prices in the United States to Other Countries: Updated Results Using 2022 Data," *United States Department of Health and Human Services*, February 2024, https://aspe.hhs.gov/sites/default/files/documents/7ec40da6efd90a2a71cf3399a5b3b24d/insulin-price-comparisons.pdf.

[75] Miranda A. Franco, "Trump Administration Revives Most-Favored-Nation Drug Pricing: Here's What to Know," *Holland & Knight*, May 14, 2025, https://www.hklaw.com/en/insights/publications/2025/05/trump-administration-revives-most-favored-nation-drug-pricing.

blocked by federal courts, as it was in 2020, Trump would have a clear reason to attack the courts, as he has done numerous times in the first few months of his second time in office.[76]

Even if legal or practical challenges temper the ultimate impact of the policy (a real possibility, given the pharmaceutical industry's formidable influence), Trump may still reap credit for trying in a very visible way. Though simply *trying*, as we saw with the CFPB's ruling under the Biden administration and subsequent reversal under Trump 2.0, isn't what saves lives—only sustained, meaningful reforms that persist beyond political cycles can truly ensure affordable care and protect Americans from medical debt.

[76] Sacha Heymann, "Trump allies are attacking the judicial system—and may now be targeting courthouses themselves," *Citizens for Responsibility and Ethics in Washington*, April 21, 2025, https://www.citizensforethics.org/reports-investigations/crew-reports/trump-allies-are-attacking-the-judicial-system-and-may-now-be-targeting-courthouses-themselves/.

Appendix B: Interview List

Betsy Cliff	Cliff is an Assistant Professor of Public Health Sciences at the University of Chicago. She has led projects related to effects of health insurance benefit design in both the commercial and Medicaid populations, affordability and spending in high-deductible plans, and the impacts of interventions to influence use of high- and low-value health care services. Interview conducted online on April 24, 2025.
Colleen Grogan	Grogan is the Deborah R. and Edgar D. Jannotta Professor at the Crown Family School of Social Work, Policy, and Practice at the University of Chicago. She is the Deputy Dean for Curriculum for the Crown Family School and is the Academic Director of the Graduate Program on Health Administration & Policy at the University of Chicago. Grogan is also Associate Editor of Health Policy for the *American Journal of Public* Health. Interview conducted online on April 22, 2025.
Harold Pollack	Pollack is the Helen Ross Professor at the Crown Family School of Social Work, Policy, and Practice at the University of Chicago. Pollack is co-director of the University of Chicago Crime Lab and a committee member of the Center for Health Administration Studies. His research appears in such journals as *Addiction, JAMA,* and *American Journal of Public Health*. His writings have appeared in *The Washington Post*, *The New York Times*, and *The Atlantic.* Interview conducted online on April 21, 2025.
Lindsey Zischkale	Zischkale is a Policy Analyst at Undue Medical Debt. They previously worked with individuals with intellectual disabilities and mental health diagnoses, with the aim of improving systems of care available to people with complex health needs. Interview conducted online on April 21, 2025.

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