



House Committee on Commerce & Consumer Protection

Testimony in Support of SB 605A

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AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50+ to choose how they live as they age. AARP Oregon advocates on issues important to our 500,000 Oregon members with a focus on health security, financial resilience and livable communities.

AARP Oregon is pleased to testify in support of SB 605A. Medical debt is unique due to its unpredictable nature, which is outside the control of the consumer and exacerbated by medical billing errors and the complexities of insurance coverage and reimbursement. Older Americans frequently find themselves subject to aggressive and deceptive medical debt-collection strategies that take an emotional toll. Studies have found medical debt is not a good predictor of someone's credit worthiness, and yet its inclusion in credit reports can harm their ability to access housing, employment and credit. As a result, medical debt negatively affects vulnerable populations and older Americans can have difficulty recovering financially. Worse, even the threat of medical debt and its subsequent impacts may cause older adults not to seek medical care, negatively impacting their physical health.

Older adults report increasing amounts of medical debt

According to recent data from the Congressional Research Service, which studied the growth in debt of older Americans between 1989 and 2016, Americans ages 50 and older carried almost three times more debt (inflation adjusted) in 2016 than in 1989. This increase in debt jeopardizes the financial security of millions of older Americans and their families. The issue is particularly problematic for this population, given that when people retire and leave the workforce, their income becomes fixed, often decreasing, while their medical expenses may increase as they age. Given that studies show medical debt is an unreliable predictor of consumer credit performance, it should not be used to determine consumers' eligibility for credit.

Despite high levels of health insurance, older adults experience high medical debt

AARP estimates that among families that have debt, about one in ten families with a head of household age 50 and older faced a debt burden of *greater than 40%* in 2019. This means that those families must devote over 40% of their gross income to debt payments. After paying for other essential expenses, like food, housing, medical care and utility costs, these families have little, if any, income left.

Some mistakenly assume that because Americans age 65 and older are eligible for Medicare, they do not face the same medical debt problems as other age demographics. While Medicare mitigates some of the impacts of medical debt on older Americans, this population is not

immune from this type of debt. Medicare provides critically needed health coverage to older adults but gaps remain that can result in substantial unforeseen out-of-pocket costs. A KFF Health Care Debt Survey conducted in June 2022 found that 22% of American adults 65 and over had medical debt. A May 2023 CFPB report found that while 98% of adults 65 and over had health insurance coverage in 2020, nearly four million reported having unpaid medical bills. Services that are not generally covered by Medicare, including long-term care, dental and hearing care, contribute to unforeseen medical costs. Also, unlike private-payer insurance or Medicare Advantage, traditional Medicare does not have a cap on out-of-pocket expenses.

Medical Debt is not a predictor of someone's credit performance and disproportionately effects on certain populations

Medical debt should be recognized for its unique nature, which raises problems when using it to make decisions about a consumer's eligibility for credit. Unlike debt incurred because of planned spending, medical debt often arises because of unforeseen illness or injury. According to a KFF report, 72% of people with medical debt reported the debt resulted from a single hospital visit or treatment. Medical debt often reflects challenges navigating complex billing systems, inaccurate billing or difficulties receiving insurance reimbursement.

Certain populations are disparately affected by medical debt, in part due to differing rates in employer-sponsored health insurance coverage. According to an analysis done by KFF, 66% of white Americans had health insurance coverage through an employer, compared to 46% of Black, 41% of Latino and 36% of American Indian/Alaskan Native Americans. Populations of color were also more likely to report medical debt than their white counterparts. For example, one study found older Black Americans were 2.6 times more likely to have medical debt compared to their white counterparts.

Debt collection also impacts people of color disproportionately. On average, 11% of white Americans have medical debt in collections, compared with 15% for people of color. Another study found that older Black Americans were contacted by collection agencies due to their medical debt at a higher rate than their white counterparts (56.7% vs. 32.3%).

For all these reasons, AARP Oregon supports SB 605A, providing robust protections and remedies to protect all Oregonians, including older Oregonians.