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MEDICAL DEBT IN ALASKA

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SUMMARY

- Alaska has some of the highest costs of medical care and health insurance in the country, and costs are rapidly going up.
- Health insurance doesn't prevent Alaskans from going into medical debt.
- Medical debt likely burdens over 40% of Alaskans, which is about 290,000 people.
- Alaskans avoid medical care because they're concerned about going into debt.

POLICY RECOMMENDATIONS

1. Leverage public funds to immediately wipe out Alaskans' medical debt.
2. Hold local hospitals accountable for providing free and discounted care, as required by federal law.
3. Pass the Uniform Default Judgment Act to protect Alaskans from abusive collection practices.
4. Streamline the application process for Medicaid.
5. Learn from our military and Tribal health care systems to build a robust public health care system

THE EXTENT OF MEDICAL DEBT IN ALASKA

Debt poses a heavy burden on Alaskan families. Including all sources of medical debt, including debt held on health payment products, credit cards, hospital payment plans, and collections, an estimated 290,000 Alaskans, or 40% of our population has some form of medical debt.

Nearly 1 out of every 5 Alaskans (17%) currently has a debt in collections. Medical costs are a major source of collections. In 2020, medical debt impacted half of all Alaskans with debt in collections.¹

Additionally, credit card debt can be medical debt in disguise. Data from JPMorgan Chase shows that credit card usage increases 34% in the month immediately following a medical event. Even a year after that medical event, credit card balances were still 9% above their previous baseline.²

This credit card data illustrates both the extent of medical debt and how these debts last. Once acquired, medical debt becomes a continuous drain on the resources of Alaskan families and communities.

The credit reporting figures cited above only capture a portion of all medical debts. Most debt doesn't go to collections.

A 2022 national study by the Kaiser Family Foundation confirmed that about 1 in 5 respondents had medical debt in collections, similar to Alaska's numbers. But they also found another 24% of participants had active medical debts they were making payments on, bringing the total share of Americans with medical debt up to 41%. And that number was just one snap-shot in time. Over 50% had gone into debt due to medical bills at some point in the last five years.

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While we don't have Alaska specific survey data, the similarity in credit reporting data suggests

¹ Id. Accessed 2021-03-31. 2020 credit report data is a more reliable measure of the ratio because 2022 reforms removed many medical debts from credit reports.

² Fiona Greig and Erica Deadman. 2022. "Healthcare spending through the Pandemic: the impact of high-cost medical events on household finances". JPMorgan Chase Institute. Published 2022-05.

³ [Kaiser Family Foundation Health Care Debt Survey](#) a nationally representative study of 2,375 participants. Additional [article based on the same data source](#).

that these results would be similar (or worse) in Alaska. It is likely that 40% of our fellow Alaskans are impacted by medical debt, which is over 290,000 people.

Alaska is ranked “weak,” on the [Medical Debt Policy Scorecard](#). On the positive side, Alaska has opted into Medicaid expansion, set a statute of limitations on consumer debt, and taken some steps to protect Alaskans from wage seizures. On the negative side, the state has not taken steps to improve hospital billing and collections practices, such as requiring pre-screening for charity care and public benefits. The recommendations section below offers some suggestions, based on experiences of other states that would improve medical debt protections.

THE BURDEN OF MEDICAL DEBT

Medical debt is more than a financial burden.

People with medical debt often cut back on basic expenses like food and shelter. 70% of families with medical debt reported cutting back spending on clothes and food.⁴ 27% of people with medical debt reported that it impacted their ability to pay rent or even led to eviction. And⁵ debt makes us sicker. Medical debt is associated with worsened social determinants of health, making individuals two to three times more likely to experience housing and food insecurity.

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People with medical debt also avoid medical care. In a Gallup poll, 38% of Americans reported that they have avoided needed medical care because they feared going into debt. The share of folks avoiding care because of costs is even higher in rural states like Alaska and⁷ smaller cities like Anchorage.

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Avoiding medical care can lead to lasting health consequences. In the long-term, avoiding care can lead to higher costs because worsened conditions require more expensive treatments. More importantly, delayed or avoided care leads to easily preventable pain, suffering, and even death.

4 Matthew Rae, Gary Claxton, Krutika Amin, Emma Wager, Jared Ortaliza, and Cynthia Cox [“The burden of medical debt in the United States.”](#) Published 2022-03-10.

5 Cynthia Cox, Kevin Lucia, and Katie Keith [“Medical Debt Among People With Health Insurance.”](#) Published 2014-01-14.

6 Himmelstein DU, Dickman SL, McCormick D, Bor DH, Gaffney A, Woolhandler S. Prevalence and Risk Factors for Medical Debt and Subsequent Changes in Social Determinants of Health in the US. [JAMA 2022.](#)

7 Megan Brennan, Gallup News [“Record High in U.S. Put Off Medical Care Due to Cost in 2022”](#)

8 [2022 CFPB Report on Challenges for Rural Banking \(Finding that every 6 months, ~9% of people outside of cities and in smaller cities avoided medical care due to cost, in contrast with ~7.5% in large cities, which is a 20% difference.\)](#)

INSURANCE: A LIMITED SOLUTION



Although insurance can reduce medical debt, it does not prevent it. In other words, people who have insurance can still go into medical debt.

Census data shows that 16% of American households who *have insurance* also have medical debt, with an average debt of \$2,000. The percentage and amount are greater, 31% and \$3,000, for folks with inadequate or incomplete coverage.⁹

Alaskans pay some of the highest insurance premiums in the country.

PRIVATE INSURANCE: EMPLOYER-SPONSORED PLANS AND THE HEALTHCARE.GOV MARKETPLACE

Alaskans who are insured pay some of the highest premiums in the country. From 2003 to 2018, Alaska was ranked #1 (or #50 depending on your perspective) in health insurance premium costs, paying 40% over the national average.¹⁰ And costs have gone up considerably in the last few years. Premiums for small group plans (employer-plans) have consistently increased by 6% over the last three years. And the rate is far higher for marketplace plans, which increased 18% in 2023 and are slated to increase another 16% in 2024.¹¹

About half of Alaskans get their insurance from their employer. And in contrast to employers in other states, Alaskan employers pay a greater share of those insurance costs.¹² This means Alaskan employers are doubly burdened: they must pay a higher share of higher costs in order to recruit workers to our state.

Alaskans who are self-employed or who have an employer that doesn't offer insurance as a

⁹ Census Bureau, [“Who Had Medical Debt in the United States.”](#) Published 2021-04-07.

¹⁰ Dr. Benedic Ippolito for the Alaska Policy Forum, [“Report: Controlling Health Care Costs in Alaska”](#) Published 2020-06-30.

¹¹ Nat Herz, [Monthly premiums for health insurance on the federal marketplace will rise 16% in Alaska next year.](#)

¹² Id.

benefit can buy insurance through the Affordable Care Act marketplace at healthcare.gov.

Alaskans who make under 400% of the Federal Poverty Level for Alaska may qualify for a tax credit that reduces the cost of marketplace insurance.¹³ An individual Alaskan who makes less than \$72,840 may qualify for some subsidy.¹⁴

Still, 13.5% of Alaskans are uninsured.¹⁵

And having insurance does not guarantee coverage. The maze of insurance rules and denials means that even an expensive insurance plan provides limited peace of mind.

In Alaska in 2021, marketplace insurers denied nearly 1 out of every 4 claims (23.5%, compared to about 17% nationally).¹⁶ The vast majority (71%) of claims were denied for “unspecified reasons” with another 9% due to the lack of a referral or prior authorization, and the remaining 20% because the treatment was excluded from coverage. Yet even with the vast majority of claims denied for no reason, less than 0.2% of claims are appealed.¹⁷

The current structure misaligns the incentives of insurance companies and consumers. Insurers have a perverse incentive to limit the types of care they cover and to deny as many claims as possible.

GOVERNMENT PROVIDED INSURANCE: MEDICAID AND MEDICARE

15% of Alaskans (114,270) receive low-cost insurance through Medicare. Medicare is the Federal health insurance program for Americans age 65 and up.¹⁸

To fill in gaps in Medicare coverage, some folks choose to purchase supplemental policies. Consumer watchdogs warn that these policies typically add little value relative to their cost. Elders are advised to read the fine print and think carefully before adding on a supplemental plan.

¹³ [Healthcare.gov “Federal poverty level \(FPL\)”](https://www.healthcare.gov/federal-poverty-level-fpl/). Accessed 2023-10-12.

¹⁴ U.S. Department of Health and Human Services [“2023 Poverty Guidelines for Alaska”](#). Accessed 2023-10-12.

¹⁵ Kaiser Family Foundation 2020 [State Health Care Snapshots: Alaska](#)

¹⁶ Justin Lo and Rayna Wallace, Kaiser Family Foundation [Claims Denials and Appeals in ACA Marketplace Plans in 2021](#). Published 2023-02-09.

¹⁷ Ruth Susswein, Consumer Action, [“How to appeal health insurance claim denials \(Summer 2022\)”](#). Published 2022-07-27.

¹⁸ Center for Medicare & Medicaid Services, [Medicare Monthly Enrollment statistics](#) for June 2023. Accessed 2023-10-12.

A third of Alaskans (256,916) receive low-cost insurance through Medicaid and/or the Children's Health Insurance Program.¹⁹ Medicaid is the Federal health insurance program for low-income Americans. Children's Health Insurance Program is a Federal program for low-income children and pregnant women. These programs are funded with Federal dollars but administered by the State of Alaska as DenaliCare and Denali KidCare.

To qualify for Medicaid a person must make under 138% of the Federal Poverty Line, which is slightly higher in Alaska.²⁰ This means to qualify for Medicaid (DenaliCare) an individual Alaskan would need to make less than \$25,130, and a family of 4 would need to make under \$51,750.^{15.}²¹

The Children's Health Insurance Program (Denali KidCare) has a higher limit at 208% of the poverty line.²⁰ For an Alaskan child in a family of 4, their family would need to make under \$78,000.²¹

As a result of these income limits, as well as other restrictions, Alaskans must go through a yearly reapproval process. This bureaucratic process imposes a costly burden on both the state and individuals.

In 2023, 14,000 Alaskans lost their Medicaid in just 2 months for purely procedural reasons. These Alaskans, many of which were children, lost coverage not because they didn't qualify, but because the Alaska Division of Public Assistance failed to reach them. Thankfully, after considerable press coverage and threats from the Federal government, the State paused some reapprovals.²²

This was on top of an on-going failure by the Division of Public Assistance to process applications in a timely manner. As of January 2023, there were nearly 9,000 Medicaid approvals that had been yet to be processed by the Alaska Division of Public Assistance.²³ As of mid-2023, only half (54%) new Medicaid applications and 43% of renewals were being processed on time.²⁴

¹⁹ [June 2023 Medicaid & CHIP Enrollment Data Highlights](#). Accessed 2023-10-12.

²⁰ U.S. Department of Health and Human Services "[2023 Poverty Guidelines for Alaska](#)". Accessed 2023-10-12.

²¹ Kaiser Family Foundation 2020 [State Health Care Snapshots: Alaska](#)

²² Annie Berman, Alaska Daily News "[State pauses some Medicaid renewals after thousands lose coverage](#)." Published 2023-10-05.

²³ Sean Maguire, Alaska Daily News "[Alaska's Medicaid backlog violates federal and state law, attorneys say](#)". Published 2023-01-07.

²⁴ Alaska Department of Health and Human Services, Division of Public Assistance "[Internal Performance Measures: Year-to-Date Performance](#)"

Delays and gaps in coverage have real consequences for Alaskans. A person waiting on coverage may delay or avoid care. Thankfully, Alaska allows retroactive medicaid coverage²⁵ (not all states do), but that coverage depends on being approved eventually, a risk that not everyone is willing to gamble on.

There are likely several reasons for the harmful and potentially illegal delays. The Division of Public Assistance points to lack of funding and resources. But budget cuts do not fully explain the fact that the Divisions' still uses paper forms and decades out-of-date computer systems. Even, more fundamentally, the problem is the complex system of reapprovals required by excessive regulations. There are too many hoops to jump through.

Digitization and regulatory simplification are urgently needed to preserve the rights of Alaskans and to conserve taxpayer resources.

As an example of a rule that could be repealed, consider Alaska's restriction on Intellectual and Developmental Disability Medicaid waivers. These waivers provide coverage for the needs of disabled folks, such as specialized equipment and in-home care. In 2018, the Alaska Division of Senior and Disability Services decided to restrict Intellectual and Developmental Disability waivers to 50 new enrollees a year, with no more than 600 total enrollees in the entire state.²⁶ According to the State's own analysis, intellectually and developmentally disabled Alaskans must wait an average of 41 months, that's over 3.5 years, for coverage.²⁷

GOVERNMENT PROVIDED CARE: TRIBAL HEALTH ORGANIZATIONS AND THE VETERANS ADMINISTRATION

Alaska Native and American Indian people may qualify for care through a Tribal Health Organization under the Federal Indian Health Service. One of the largest such organizations, the Alaska Native Tribal Health Consortium co-operates the Alaska Native Medical Center in Anchorage.

Additionally, active-duty military members and veterans are typically covered by the Veterans Administration and/or TriCare, the insurance program for active-duty military. As the military is one of the largest employers in Alaska, this reflects a major source of health care in our state.

²⁵ [7 AAC 100.072](#) - Retroactive Medicaid eligibility

²⁶ Workforce Innovation and Opportunity Act, [Alaska State Plan for 2020-2023](#).

²⁷ Id.

Still, bureaucratic hoops and regulatory limits on the Indian Health Service and Veterans Administration mean that many covered individuals still end up with medical debt.

For example, an Alaska Native person traveling in the lower 48 must obtain a waiver from the Indian Health Service before receiving care outside of the state. One individual we spoke with was facing a surprise bill of over \$2,000 because they came down with an unexpected illness while visiting family.

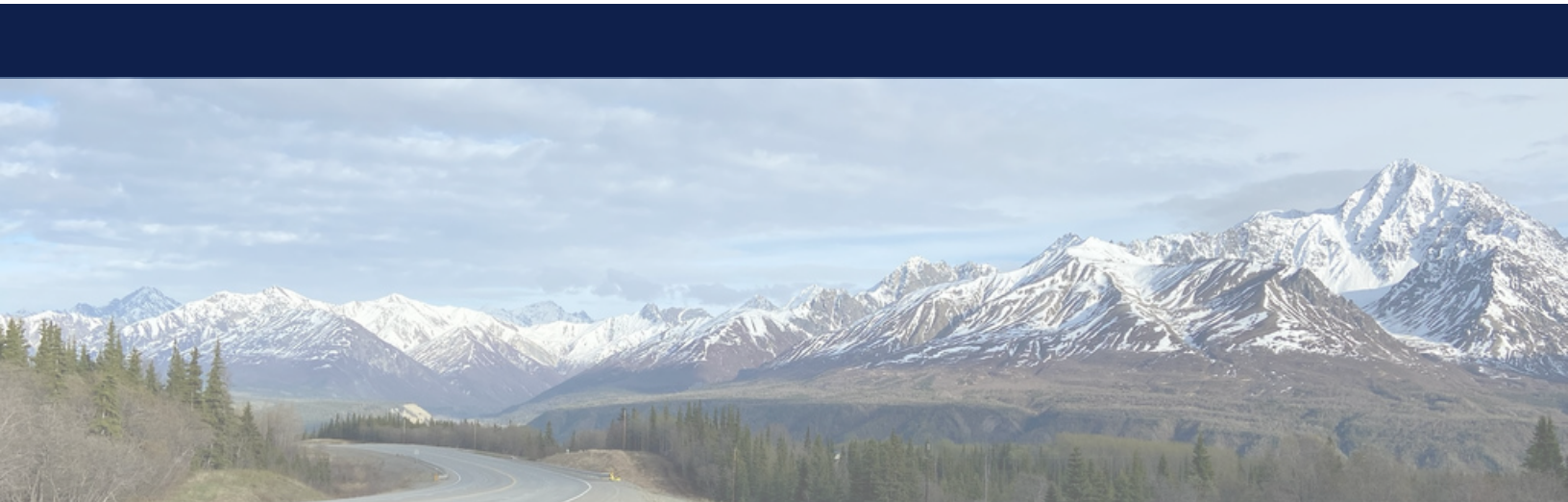
From 2016 to 2019, nationwide, the Indian Health Service refused to pay medical bills for more than 500,000 patients, resulting in more than \$2 billion in medical debt.²⁸

Similarly, there are significant problems at the Veterans Administration, including slow payments, and unnecessarily complicated bureaucracy. This maladministration can lead to veterans and service members ending up with medical debt even when they're supposedly covered under TriCare. A [2022 CFPB report](#) found that half of medical debt complaints by active-duty military concerned debt they should never have owed.

Yet for all their gaps and challenges, the Veterans Administration and Indian Health Service have significant advantages over the more indirect approaches of insurance subsidies. Rather than creating unproductive competition between hospitals and insurers, a single-payer system aligns the interests of providers and patients.

The Veterans Administration and Indian Health Service, which insure a large share of Alaskans demonstrate that it is possible for the government to directly provide health care. By directly providing care they reduce the debt and paperwork burdens on patients and providers, can more easily control costs, and are more responsive to public oversight.

²⁸ National Consumer Law Center and Community Catalyst, "[Medical Debt Crisis – Impact on Native and Indigenous Families.](#)" Presented 2023-02-09.



POLICY RECOMMENDATIONS



1. Leverage public funds to wipe out medical debt, tomorrow.

Alaska could leverage a relatively small amount of public funds to wipe out all medical debt in collections in the state, tomorrow. An investment of around \$2 million could wipe the slate clean for 100,000 Alaskans.

In the last year, several other local governments have leveraged a relatively small amount of funding to forgive massive amounts of debt.

- [Toledo, Ohio](#) has already leveraged \$800,000 to erase \$240 million in debt (a 300:1 ratio) for 41,000 citizens.²⁹
- [Cook County, Illinois](#) has erased \$80 million for 73,000 citizens. They're budgeted to spend up another \$12 million, which will lead to over \$1 billion in relief.

To achieve immediate relief, the State of Alaska could partner with [RIP Medical Debt](#), which buys medical debt for pennies on the dollar, meaning they leverage each \$1 to forgive over \$1000 in debt.

While public debt relief does not address the root causes of medical debt, it would make a massive and immediate difference in the lives of thousands of Alaskans.

²⁹ See more: <https://www.businessinsider.com/toledo-ohio-medical-debt-relief-with-biden-funds-2023-9>

2. Hold local hospitals accountable for providing free and discounted care, as required by federal law, by (a) requiring hospitals to proactively screen patients and (b) prohibiting abusive debt collection practices.

(a) *Require hospitals to proactively screen patients to see if they qualify for financial aid and public benefits.*

In return for the benefits that come with non-profit status, Federal law requires non-profit hospitals to provide free or discounted care to low-income patients.

Many patients however, are unaware of these programs. Or folks may assume they don't qualify when the hospital asks them to pay.

In 2018 Providence, one of the largest hospitals in Alaska, hired a consulting firm to design a system that would help them direct qualifying patients away from financial assistance. As investigative journalists discovered, Providence called this the "Rev-Up" program, as in "revenue up," and it involved training employees with a script that was designed to funnel patients into full payment or, as a back-up, a payment plan, rather than asking whether that person might qualify for free care. While Providence seems to have voluntarily changed some of their policies, this scandal reveals the unfortunate fact that non-profit hospitals have a massive financial incentive to make financial assistance programs as restrictive as possible, to make it hard to apply, and to not advertise them.

Thankfully, an innovative national group, Dollar For, helps people navigate the often confusing financial assistance application process. Still, more needs to be done to hold hospitals accountable for implementing financial aid programs fairly.

It would be far more efficient for hospitals to proactively screen patients. Several states, including New Mexico, have recently passed laws that require hospitals to ask patients to see if they qualify for free or reduced cost care.³⁰ These screenings can also test whether the patient qualifies for public assistance, like Medicaid or Medicare. Alaska should adopt similar requirements to ensure that Alaskans can receive the care they need.

³⁰ <https://stateline.org/2022/08/24/new-safeguards-may-help-those-who-are-drowning-in-medical-debt/>

(b) Prevent abusive debt collection practices, particularly for folks who should have qualified for free or reduced-cost care.

Alaska could also follow the lead of Colorado, New Mexico, and Maryland in protecting people from wrongful collections actions:

- New Mexico prevents creditors from sending the bills of indigent persons to collections.
- Colorado requires hospitals to offer patients a payment plan, with payments that do not exceed 4% of monthly income.
- Maryland prevents creditors from seizing the wages of folks who are eligible for financial assistance.
- Maryland also prevents creditors from putting liens on primary residences and sending folks to jail (civil contempt) for any medical debt (not just those who qualify for financial assistance).
- And Maryland also holds hospitals accountable for their mistakes. A 2020 study revealed that hospitals wrongly collected over \$120 million per year from Maryland residents. As a result, Maryland now requires hospitals to repay patients who should have qualified for free or reduced-cost care.

3. Pass the Uniform Default Judgment Act to protect Alaskans from abusive collection practices.

Protection against abusive collection practices shouldn't be limited to medical debt. The recently released [Uniform Consumer Debt Default Judgments Act](#) has been proposed to protect citizens from the abuse of default judgements.

Currently, default judgements resolve the vast majority of cases involving debt. A default judgment happens when the defendant (debtor) does not come to court to contest the case. Default judgements resolve the vast majority (over 70%) of cases in Alaska. When there is a default judgment, the creditor doesn't need to provide any proof to win. They win by default. That means, they don't need to provide any proof that the defendant owed the debt, how much they owed, or that they owed it to the plaintiff.

The Uniform Act requires creditors to provide some basic proof before they can obtain a default judgment.

4. Streamline the application process for Medicaid.

As the tens of thousands of back-logged applications and thousands of arbitrary disenrollments show, the State of Alaska administers Medicaid inefficiently. Too many Alaskans fail to receive the benefits they deserve, due to an extended bureaucratic process that still often relies on paper forms.

Alaskans should be able submit all required forms digitally. Digitizing applications would have the added benefit of allowing more automated analysis, which would increase the speed and reduce the cost of administering the program.

While some of the bureaucracy is required by Federal law, the State of Alaska could take significant steps to reduce procedural overhead and make it easier to apply for Medicaid.

For example, Alaska could reform its undeliverable mail policies. The current mail policy recently led to thousands of Alaskans, many of them children, being administratively disenrolled from Medicaid because their address changed.

Federal law also requires states to be more efficient in some ways. For example, federal regulations require states to make automatic redeterminations (also called “ex parte renewals”) if the State has access to enough reliable and current information.

Alaska could also streamline the medicaid application process by combining it with the process for similar programs, like SNAP. These changes would align with SB149 / HB196 which would streamline the application for SNAP by establishing broad-based categorical eligibility.

Categorical eligibility means Alaskans don’t need to know about, and apply separately for obscure and complex government benefits. Instead, they could fill out one form and the State could then figure out what they qualify for. Creating this single, digital application would ensure Alaskans get the benefits they qualify for, while reducing bureaucratic overhead.

5. Learn from our military and Tribal health care systems to build a robust public health care system.

Our fractured landscape of private insurance, charity care, subsidies, and restrictive public benefits fails to protect Alaskans from medical debt.

As a state with a relatively small population and considerable experience in government-provided health care, Alaska is uniquely positioned to lead on more meaningful health care reforms.

Our military and Tribal health care systems are far from perfect, but we can learn from their challenges and successes to build a better, government run health-care system that doesn't let Alaskans fall through the cracks.



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