

## Medical Debt Continues to Hammer the Middle Class



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About one in six middle-class households reported medical debt in 2021, a higher ratio than even the poorest households. It is an unfair and preventable burden for far too many middle- and working-class families. Compared to 2017, fewer Americans across all income levels experienced medical debt, however those who did had significantly higher debt levels. This chronic debt problem reveals gaps with current policies for health insurance that leave millions of Americans unprotected from high health care costs.

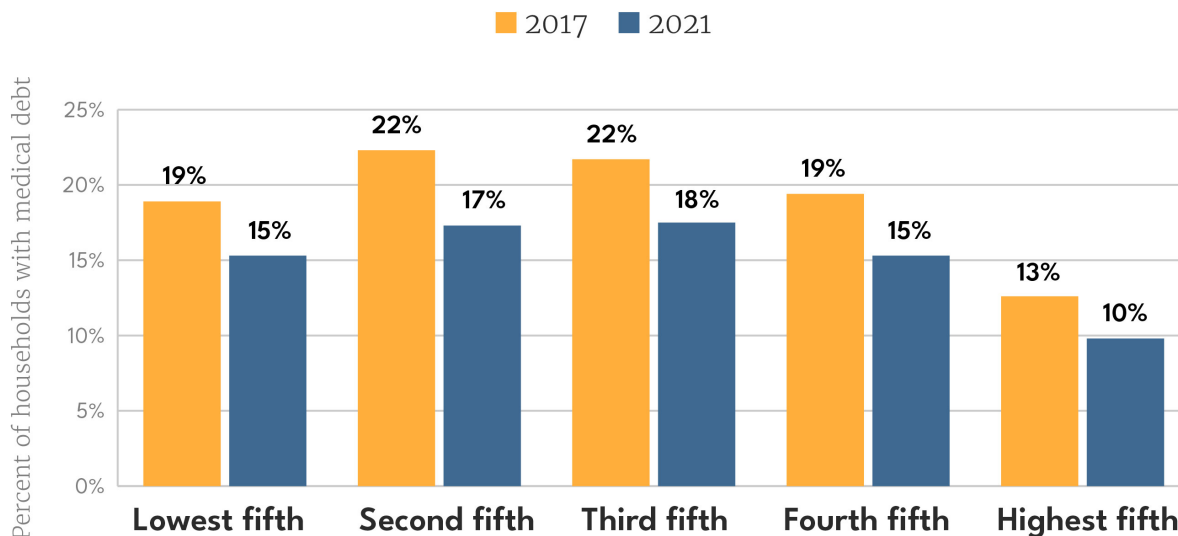
This memo examines data from the U.S. Census Bureau’s Survey of Income and Program Participation (SIPP) and other sources for 2017 (the first year SIPP asked about medical debt) and 2021 (the latest data), and is a follow up to an [analysis](#) of 2020 data. It finds the following about medical debt:

1. Medical debt falls most frequently on the middle class.
2. The average debt for medical care is increasing.
3. The average medical debt among those in the poorest quintile exceeds their income, and it exceeds 40% of the annual income for those in the second quintile.
4. Medical debt is highest among racial and ethnic groups who lack health insurance.
5. Medical debt reveals a major flaw in health care.

### 1. Medical debt is highest among the middle class.

The middle class has the highest rates of medical debt. Dividing all households into fifths by income, the middle three income groups had the highest rates of debt in both 2017 and 2021. Nearly 17% of middle-class households (\$43,700 to \$160,800) had medical debt in 2021, compared to 15.3% of low-income households and 9.8% of high-income ones. This is also higher than the national average of 15%. While rates are still high, they are significantly lower than in 2017 when 21% of middle-class households had medical debt.

## The Middle Class has the Highest Rates of Medical Debt



**Source:** U.S. Census Bureau Survey of Income and Program Participation.

Middle-class families are more likely to have medical debt than lower-income families, despite having higher rates of good insurance coverage. That's because lower-income families often do not seek care at all because of the cost. When they do, they may qualify for additional assistance outside of coverage, like payments tied to income levels at public health clinics and debt relief at some hospitals. Middle-income families are also less likely to have the disposable income to pay high deductibles and other out-of-pocket costs than higher-income families.

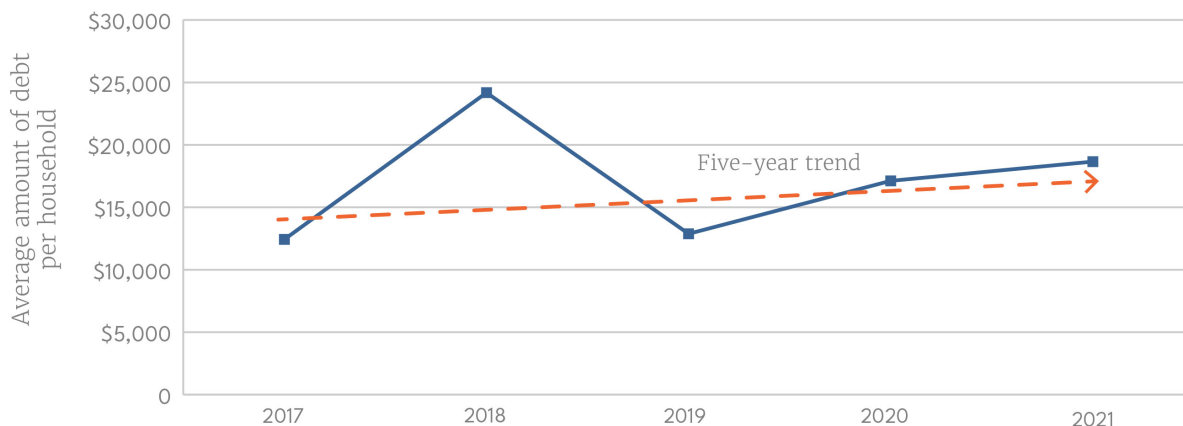
The concentration of debt in the middle and working class also shows up in the work of those abolishing medical debt like RIP Medical Debt through charity. The [bulk of the debt](#) they abolish is for families with incomes between \$37,000 to \$87,000 (for a family of three).

Other [surveys of medical debt](#), like the [KFF Health Care Debt Survey](#), show higher rates of medical debt due to a more comprehensive definition of medical debt.

### 2. The average debt for medical care is increasing.

The average amount of debt people owe for medical care has risen over the past five years. In 2017, the average medical debt was \$12,430. In 2021, it was \$18,660, a 50% increase.

## Average Medical Debt is Increasing



**Source:** U.S. Census Bureau Survey of Income and Program Participation.

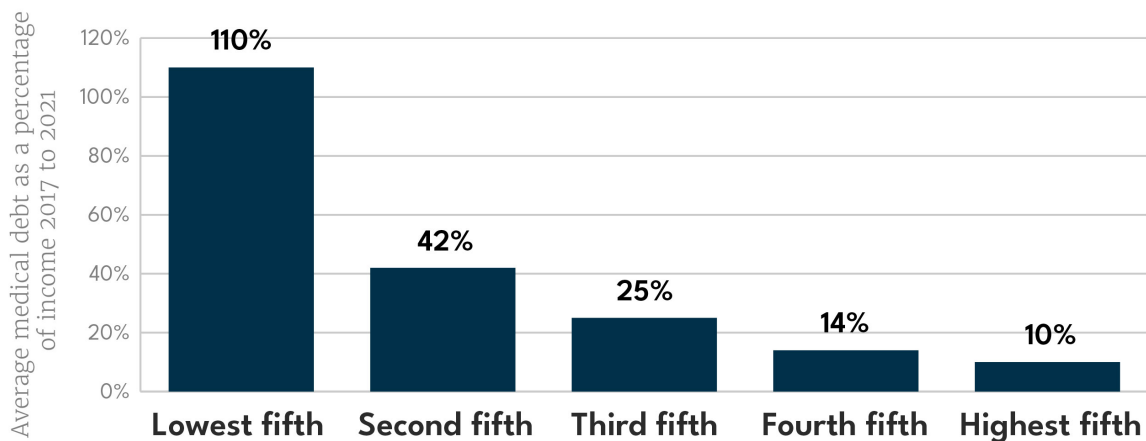
Higher debt amounts per household have coincided with a decline in the number of people with medical debt as many delayed medical care during the pandemic. That change also reflects a general decline in households holding any kind of debt from 76.5% to 73.5%. Families reduced their debt using Covid stimulus checks and by spending less. A factor in the decline prior to the pandemic could be that long-term coverage gaps—when people go for a year or more without any coverage—declined from 2014 to 2018. That means coverage was more likely to pick up medical costs and prevent an accumulation of medical debt.

It is also important to note that the median level of debt—\$2,000 in 2021—is much lower than the average, which reflects the fact that a lot more people have small amounts of medical debt, and a small number of people have very high debt levels.

### 3. Medical debt is hardest on low-income and working-class families.

Although the middle class has higher rates and higher amounts of medical debt than the working poor, the burden of debt is heavier for low-income families given their lower incomes. In fact, the average amount of debt for families in the lowest fifth of income exceeded their annual income from 2017 to 2021. Over the past five years, medical debt among the lowest fifth was 110% of their annual income. For those on the lower end of the middle class – the second quintile – medical debt exceeded 40% of incomes. In comparison, households in the highest fifth of income had medical debt that was just 10% of their annual income.

## Medical Debt Exceeds the Annual Income of Working Poor



Household Income by Quintiles

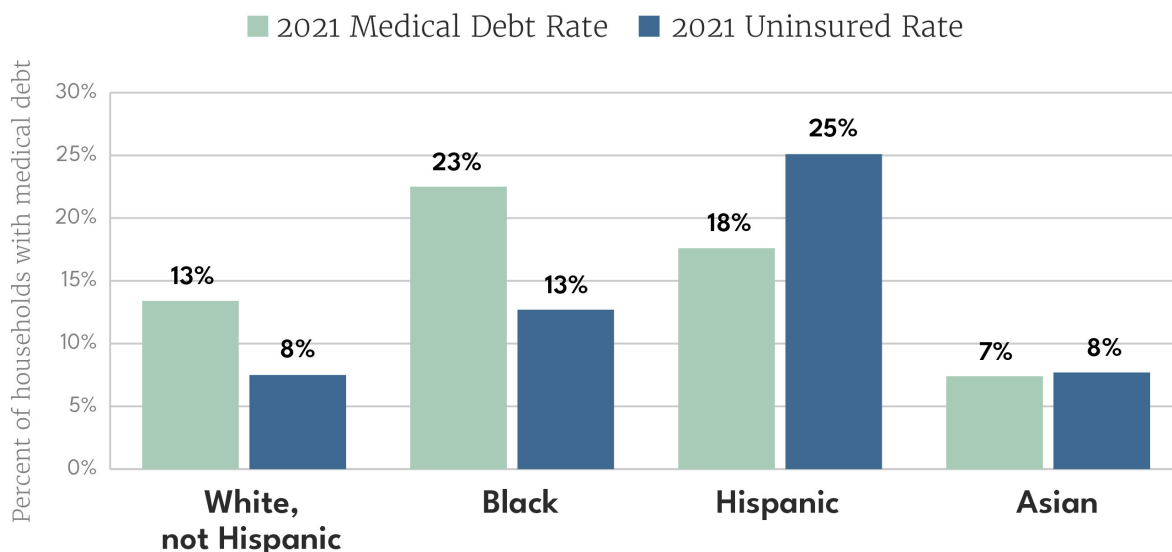
**Source:** U.S. Census Bureau Survey of Income and Program Participation.

High medical debt can prevent working-class families from getting ahead and even stop them from getting the medical care they need.

### **4. Medical debt is highest among racial and ethnic groups who lack health insurance.**

Black and Hispanic Americans are more likely to have medical debt. Their medical debt rates are 22.5% and 17.6%, compared to 13.4% for white Americans. Black and Hispanic Americans are often more vulnerable to medical debt because they have less health care coverage. About 25% of Hispanic and 12.7% of Black Americans lack health insurance, while 7.5% of white Americans are uninsured.

## Medical Debt is Highest Among Groups With Less Health Insurance



**Source:** U.S. Census Bureau Survey of Income and Program Participation.

### 5. Medical debt is a warning sign of health care failures.

As the office of Vice President Kamala Harris [has noted](#): “One-in-three adults in the United States have medical debt. It is now the largest source of debt in collections—more than credit cards, utilities, and auto loans combined.”

If everyone in America had adequate health care coverage, medical debt would not be an issue. But millions do not. Some have gaps in their coverage, and others have no coverage. A common gap is a high deductible—the amount a patient must pay before insurance coverage kicks in. People with a chronic condition can face major costs year after year. And those without coverage may be eligible but not enrolled, which accounts for about two-thirds of the uninsured.

The result: nearly 100 million people in the U.S. have medical bills they cannot pay. Just as bad is that one of every four people do not get care because of prohibitive costs.

The Affordable Care Act set a national standard for coverage that makes health care affordable for each family’s budget. For example, a family with an income twice the federal poverty level must pay only 2% of their income for the premiums of health insurance purchased on their own. They also have limits for their out-of-pocket costs like deductibles based on their income. Congress should expand the ACA’s standard to cover several gaps like low-to-moderate income workers with coverage through their job, who must pay as much 9% of their income on health care.

Without adequate coverage, doctors and hospitals do not get paid, which leads many providers to pursue aggressive debt collection against patients. They send the bills to collections, garnish wages, and deny care. The ACA began to reign in such practices among non-profit hospitals, and the Biden Administration is [cracking down](#) on the medical debt collection industry. Congress should also require non-profit hospitals to deliver more charity care in relation to the large tax breaks they receive.

Medical debt is a leading indicator of problems with health care throughout the country. [Abolishing and preventing medical debt](#) should be a key objective for policy makers.

