



IN THE RED

FOR A HOSPITAL BED

MEDICAL DEBT &

HOUSEHOLD BANKRUPTCIES

SNAPSHOT: LANE COUNTY, OREGON

INTRODUCTION

Even after the passage of the Affordable Care Act, high deductibles, high coinsurance and ever-increasing hospital prices mean that many people still struggle to afford healthcare. In fact, the national statistics for medical debt are staggering:

- ▶ Medical bankruptcy is the number one cause of personal bankruptcy in the U.S.¹
- ▶ Americans pay three times more for medical debt than they do for bank and credit-card debt combined.²
- ▶ One in three Americans say they have put off getting medical treatment that they or their family members need because of cost.³

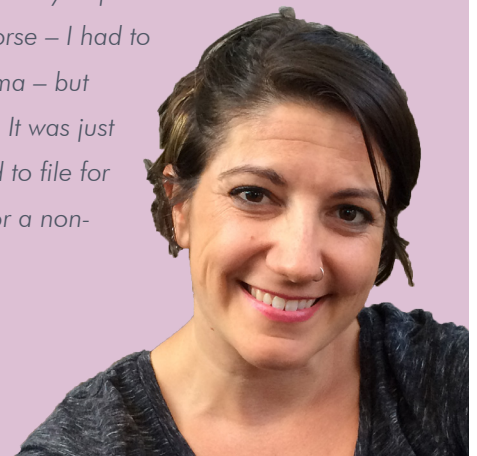
While we expect the experiences of Oregonians to mirror these national statistics, to date we have lacked county-level data about medical debt in Oregon. In order to provide a clear picture of the causes of—and solutions to—medical debt in local communities, we set out to answer: *What does the high cost of healthcare mean in Lane County? What part of the healthcare system is responsible for this debt? How does this debt impact community residents and their families?*

For this issue brief, we reviewed bankruptcies filed by individuals in Lane County, Oregon for 2014 and recorded the portion and type of medical debt reported in each case. We analyzed the data for patterns, noted trends, and sought personal stories from within the community to provide a more detailed understanding of the impact medical debt has on Oregonians' lives, families and health.

We found that not only do the vast majority of bankruptcies filed in Lane County, Oregon contain some amount of medical debt, but that much of the medical-related debt can be attributed to services provided by Oregon hospital systems. The hospital system holding the largest amount of debt in Lane County is PeaceHealth. PeaceHealth not only generates the largest amount of debt in the county, it also generates the largest amount of hospital profits. Yet, PeaceHealth is a non-profit organization. We hope that this information can inform policy efforts to reform our unaffordable and burdensome healthcare system.

“Early one morning a few years ago, I woke up with severe abdominal pain. My hopes of waiting for an appointment with my doctor evaporated as the pain got worse – I had to go to the ER. Thankfully, the diagnosis wasn’t dire – it was just a hematoma – but the bill was. The CT scan and other ER services resulted in an \$8000 bill. It was just too much even for two people working at PeaceHealth at the time – I had to file for bankruptcy. There’s something wrong when two people who both work for a non-profit healthcare provider can’t afford care from their own employer.”

BONNIE CAPP
EMERGENCY DEPARTMENT
EMPLOYEE AT SACRED HEART RIVERBEND



Q: WHAT DOES THE HIGH COST OF HEALTHCARE MEAN FOR LANE COUNTY, OREGON RESIDENTS?

A: THE MAJORITY OF PEOPLE FILING FOR BANKRUPTCY IN LANE COUNTY OWE MONEY FOR MEDICAL CARE.

Over 800 personal bankruptcies were filed in 2014 in Lane County, Oregon. We found that nearly three-quarters – 72% – of bankruptcy filers owed money for a medical-related debt. While some filers owed very little in medical debt, over 40% of those who filed for bankruptcy in Lane County, Oregon in 2014 who had medical debt owed over \$5,000 in medical related expenses. As a whole, the bankruptcies accounted for more than \$5.6 million in medical debt for the year.

Medical debt is different than other types of consumer debt. More often than not, the care (or “product”) is not optional. Most people seek medical care when they need it; however, some avoid seeking medical care for fear of cost. Unlike consumer products where there is no penalty for going without, the cost of delaying or forgoing medical care can, in many cases, result in more healthcare problems and even higher costs.

We found that hospital employees too are impacted by the high cost of medical care. In a survey of support staff at Lane County’s largest medical center, PeaceHealth Sacred Heart, over half of respondents report deferring care due to unaffordable deductibles. A quarter of surveyed employees reported they had been taken to collections for a bill for care they received at a PeaceHealth facility. Some even reported that liens had been placed on their homes, their wages had been garnished, or that they had been forced to file for bankruptcy due to PeaceHealth-related bills.

72%
OF
BANKRUPTCIES
IN LANE
COUNTY
INCLUDE
MEDICAL DEBT

“I was forced into bankruptcy after being unable to pay for all the costs associated with a surgery I received at PeaceHealth Sacred Heart Medical Center. There were fees from the hospital, surgeon, anesthesiologist and more. I’m a caregiver at Sacred Heart, but my insurance still left me with thousands of dollars I couldn’t pay.

I tried to pay what I could, but was sent to collections and eventually had my wages garnished. This meant that after the various deductions, paying healthcare premiums for me and my family, and my wages garnished for medical debt for my surgery, I was left with only around \$300, even with me working full time. That made it very difficult to pay rent, electricity, and other costs of daily living. My mother, even though on a fixed income herself, helped with groceries so we could have food on the table.”

HOLLIE MURPHY
CERTIFIED NURSING ASSISTANT
EMPLOYEE AT PEACEHEALTH SACRED HEART



Q: WHAT IS THE SOURCE OF MEDICAL DEBT IN LANE COUNTY, OREGON?

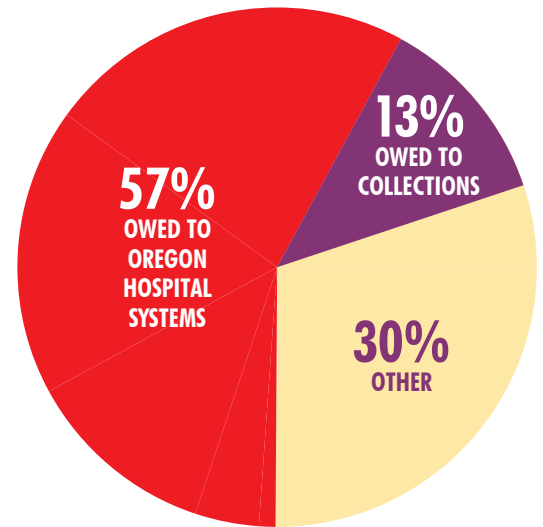
A: THE MAJORITY OF MEDICAL DEBT IS OWED TO OREGON HOSPITALS.

Our study found that 57% of all medical debt in Lane County is owed to Oregon hospitals and their associated health systems. The actual cost of hospital-related debt is undoubtedly even higher, as many bankruptcies included debt from hospitals located outside of Oregon. In addition, a sizeable portion of medical debt—over 13%—had already been referred to collection agencies and therefore could not be attributed to a specific provider or facility.

The fact that hospitals are responsible for a majority of the medical debt in Lane County bankruptcies is not surprising. Current studies show that hospitals are the most expensive part of our healthcare system, eating up 38% of all expenditures on personal health.⁵ Moreover, Oregon hospitals rank as some of the most expensive in the nation with Oregon hospitals’ adjusted expenses per inpatient day ranking as the third most expensive in the country.⁶

Just as hospital care in Oregon is more expensive than in many other states in the nation, hospital care in Lane County may be more expensive than many other counties in Oregon. Two of the three hospitals with the highest profit margins in the state are located in Lane County.⁷

We find it particularly noteworthy that while Lane County residents struggle with the impact of medical debt, attributable largely to hospitals, the most profitable hospital in the county is nominally a “nonprofit” institution. PeaceHealth Sacred Heart Medical Center (with its much larger campus and patient volume) earned more than three times more dollars in profit in 2014 than its for-profit competitor McKenzie Willamette Medical Center. As a nonprofit, PeaceHealth is exempt from nearly all taxes and the system benefits from a greatly reduced tax bill.



MEDICAL DEBT IN LANE COUNTY

LANE COUNTY HOSPITAL INCOME & TAX EXEMPT STATUS

| HOSPITAL | 2014 NET INCOME | CORPORATE STATUS |
|------------------------------------|-----------------|------------------|
| PeaceHealth Sacred Heart (UD & RB) | \$94,015,629 | Non profit |
| Quorum McKenzie-Willamette | \$27,251,120 | For profit |
| PeaceHealth Cottage Grove | \$1,185,824 | Non profit |
| PeaceHealth Peace Harbor | \$2,182,596 | Non profit |

Q: WHICH HOSPITAL CONTRIBUTES MOST TO DEBT IN LANE COUNTY, OREGON?

A: **PEACEHEALTH IS RESPONSIBLE FOR THE LARGEST AMOUNT OF MEDICAL DEBT IN LANE COUNTY.**

The largest individual holder of medical debt in Lane County is Sacred Heart Medical Center, a hospital owned by PeaceHealth. PeaceHealth's role in the medical debt crisis in Lane County reaches far beyond Sacred Heart, however.

Three of the four hospitals in Lane County are operated by PeaceHealth. The system also provides laboratory services (through PeaceHealth Labs and Oregon Medical Laboratories) and primary medical care through the PeaceHealth Medical Group. The medical debt generated by PeaceHealth's services in the county account for 68% of all the hospital-related liabilities in the entire county. That total does not include debt related to Oregon Imaging or the Riverbend Ambulatory Surgery Center which are only partially owned by PeaceHealth.

A review of the ten largest medical-related creditors reported in Lane County bankruptcy cases includes five entities that are related to PeaceHealth. Of all the medical debt in the county, PeaceHealth holds 39%.

10 LARGEST CREDITORS IN LANE COUNTY, RANKED BY SUM OF LIABILITIES

(excludes collection companies; PeaceHealth-owned facilities highlighted in yellow)

| | |
|---|--------------------|
| 1. PEACEHEALTH SACRED HEART MEDICAL CENTER | \$1,196,584 |
| 2. MCKENZIE-WILLAMETTE MEDICAL CENTER | \$881,847 |
| 3. PEACEHEALTH | \$788,949 |
| 4. PEACEHEALTH MEDICAL GROUP | \$221,295 |
| 5. OREGON MEDICAL GROUP | \$148,143 |
| 6. SLOCUM CENTER FOR ORTHOPEDICS | \$131,526 |
| 7. RADIOLOGY ASSOCIATES | \$78,742 |
| 8. EUGENE EMERGENCY PHYSICIANS⁸ | \$74,928 |
| 9. NORTHWEST ANESTHESIA PHYS | \$74,657 |
| 10. COTTAGE GROVE CMTY HOSPITAL | \$63,107 |
| DEBT OWED TO PEACEHEALTH | \$2,344,863 |

Q: HOW DOES MEDICAL DEBT COMPARE TO HOSPITAL PROFITS?

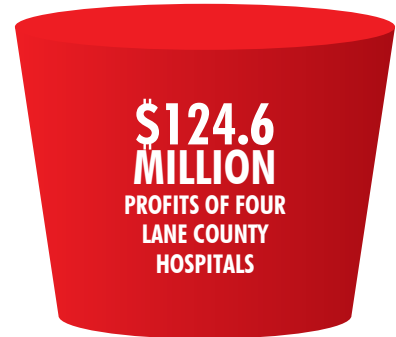

A: MEDICAL DEBT IS SMALL WHEN COMPARED TO THE MILLIONS IN PROFITS THAT GO TO LOCAL HOSPITAL OPERATORS.

As a whole, Lane County residents reported over \$5.6 million in medical related debt in their bankruptcy filings for 2014. By comparison, the four hospitals located in Lane County earned a total of \$124.6 million in profits in 2014. PeaceHealth Sacred Heart alone reported a profit of over \$94 million in 2014, accounting for the vast majority of hospital profits made in Lane County.⁹

Despite the millions of dollars in profits each year, PeaceHealth is a non-profit organization that claims many tax exemptions as a charity. Their mission includes “promoting personal and community health.”¹⁰ In exchange for this mission, PeaceHealth is granted tax exemptions. The exact value of this tax exemption for PeaceHealth and its impact on Lane County is not disclosed, but nationally, tax exemptions for nonprofit hospitals had an estimated value of nearly \$25 billion in 2011.¹¹

With nonprofit hospitals receiving significant tax breaks for “charitable” services while simultaneously raising prices and sending patients to collections, a growing number of policy leaders are calling for reform. The Hamilton Project, a initiative of The Brookings Institution recently proposed a system to improve the delivery of charity-care services by nonprofit hospitals. Commenting on the current system of nonprofit hospital care they wrote, “Despite the size of this tax expenditure, there is very little direction or monitoring of how nonprofit hospitals meet their implicit obligations under this system. Partly as a result, there are some glaring holes in the informal health safety net that expose many low-income individuals to potentially crushing medical debt.”¹²

**\$5.6
MILLION**
MEDICAL DEBT
IN LANE COUNTY



A DROP IN THE BUCKET

Medical debt owed in Lane County compared to profits of Lane County's four hospitals

CONCLUSION

Like so many others in the country and state, Lane County, Oregon residents are often unable to afford the high cost of health care. The fact that the majority of bankruptcy filings in Lane County contain medical-related debt provides a stark evidence of the reality that medical debt is the largest cause of bankruptcies in the nation. And significantly, our community's medical debt can be tied to local, community hospitals that, ironically, are non-profit organizations.

The high cost of care and corresponding medical debt is a growing problem for our community. It is impacting the physical and financial well-being of the people who live in Lane County, Oregon. By shining a light on the role of medical debt within our area's bankruptcies and the creditors responsible, we hope that we can take the next steps to reforming a broken healthcare system and strive towards a community where all have access to affordable, quality care.

ENDNOTES

1. Khazan, Olga. "Why Americans Are Drowning in Medical Debt." *The Atlantic*, October 8, 2014. <http://www.theatlantic.com/health/archive/2014/10/why-americans-are-drowning-in-medical-debt/381163/>
2. Ibid.
3. Riffkin, Rebecca. "Cost Still a Barrier Between Americans and Medical Care." *Gallup*. <http://www.gallup.com/poll/179774/cost-barrier-americans-medical-care.aspx> (accessed October 26, 2015.)
4. Oregon Health Authority, *2014 Hospital Financial Summary*.
5. U.S. Department of Health and Human Services, CDC, National Center for Health Statistics. *Health, United States*, 2014. Table 103, page 305. [http://www.cdc.gov/nchs/data/14.pdf#103](http://www.cdc.gov/nchs/data/hus/14.pdf#103)
6. "Hospital Adjusted Expenses per Inpatient Day." *Kaiser Family Foundation*. <http://kff.org/other/state-indicator/expenses-per-inpatient-day/?state=OR> (accessed October 27, 2015).
7. Highest profit margin by both operating margin and total margin. Oregon Health Authority, *2014 Hospital Financial Summary*.
8. Eugene Emergency Physicians provides emergency medical services at Sacred Heart General Hospital.
9. Oregon Health Authority, *2014 Hospital Financial Summary*.
10. PeaceHealth's complete mission is, "We carry on the healing mission of Jesus Christ by promoting personal and community health, relieving pain and suffering, and treating each person in a loving and caring way." <http://www.peacehealth.org/about-peacehealth/Pages/mission-values.aspx> (assessed November 9, 2015).
11. Rosenbaum, Sara, et.al. "The Value Of The Nonprofit Hospital Tax Exemption Was \$24.6 Billion In 2011." *Health Affairs* (June 2015). DOI: 10.1377/hlthaff.2014.1424
12. Dranove, David, Craig Garthwaite, and Christopher Ody. "A Floor-and-Trade Proposal to Improve the Delivery of Charity-Care Services by U.S. Nonprofit Hospitals" *Brookings Institute, Hamilton Project*. October 2015. http://www.hamiltonproject.org/assets/files/floor_and_trade_improve_delivery_of_charity_care_services_dranove.pdf

NOTE ON METHODOLOGY

The focus of this report was narrowed to people who filed for Chapter 7 bankruptcies. In Lane County, Oregon Chapter 7 bankruptcies represented over 80% of the non-business bankruptcies filed in the twelve-month period ending March 31, 2015. This report looks at cases filed from January 1, 2014 to December 31, 2014. 11 cases were excluded from this analysis where no creditor list was filed or the case was a duplicate filing. For each case filed, the total liabilities and all debts categorized as medical debt were recorded.

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