

Paying Medical Bills and Managing Debt

Once you have reviewed your medical bills and worked with your provider and insurance plan to make sure your insurance is covering all of the services it is supposed to, you may still have medical bills left to pay or other outstanding expenses. Even if you have negotiated payment plans or reduced fees with providers, some financial burdens are simply too big to handle. Be sure you carefully consider all of your options and consult with a financial professional to determine the best option for your situation.

Prioritize your debt and expenses

If you are overwhelmed with debt and other expenses, you should first take a look at all of your bills and prioritize which to pay first. You can prioritize based on urgency or based on your need. For instance, do you have a bill that is going to go into collections, debt that is accumulating interest, or are you behind on a loan payment that could result in your property being taken away from you (such as a house or car)? These are things to consider when prioritizing your debt and expenses. In most cases, it is best to pay “secured debt” (debt that has “collateral” for the lender attached to it—such as housing or car payments that can be taken from you) first, and then pay “unsecured debt” (debt that does not have collateral attached to it—like medical bills and credit card debt). The same is true if you rent your home or apartment; it is often best to pay rent before paying certain credit card or medical bills, because landlords do not have to allow someone to live in an apartment rent-free, even if that person has cancer or another serious illness or disability. If you fall behind on paying your rent, you could be evicted from your apartment.

Exercise caution before using medical credit cards or taking out private loans

When you visit a provider for an expensive service, such as surgery, your provider may tell you about the option of a medical credit card or a loan to help pay for your out of pocket medical expenses. A medical credit card is a limited-use credit card that is typically offered to people for medical expenses. CareCredit is one example. Even if you are offered a medical credit card with an introductory 0% interest rate, be sure that you can realistically pay the balance in full during the time allowed for the introductory rate, which could be 3, 6, 12, or 18 months. If you do not pay the full balance in the allowed amount of time, the interest rate will drastically increase and cause your bill to increase to an amount you may not be able to pay off in a reasonable amount of time.

Some hospitals have started allowing private lenders to offer medical loans to patients to help cover medical bills. With these loans, hospitals will sometimes estimate your share of your bill, and then a hospital billing representative may offer you information about private loan options (usually with one specific preferred lender) to cover the estimated charges. If you apply for and are approved for a loan, the lender pays the hospital bill and you make monthly payments to the lender, with interest. You may end up paying much more for your care than you should, due to high interest rates. Be sure you understand the amount of interest you might be charged by a lender. Sometimes these lenders do not do a credit check, but your credit score can still be

negatively affected if you miss payments, do not pay off the loan, or if it increases the amount of debt you have overall (your debt burden).

With both medical credit cards and private loans from hospital lending partners, it is important to do your research. Even if you are pressured to obtain one of these options while still in the hospital or at the doctor's office, wait until you get home to make a decision. It is important to wait until after your insurance has paid its portion of the bill, or at least until after you have talked to your insurance company to find out how much you will actually owe, before deciding how to pay your portion of a medical bill. If you decide to take out a medical loan or sign up for a medical credit card before knowing the amount you may owe, you may end up taking out a loan for much more than you need. There can be severe financial consequences if you make a decision without having time to consider both the pros and cons of these payment options. Some hospitals have financial navigators, who can be great resources for this type of information.

Fundraising can help, but may affect your eligibility for benefits

Fundraising, either through crowdfunding websites (like GoFundMe), or through in-person events, can be another way to help raise money to pay for medical bills. People may opt to fundraise online because the fundraiser can be shared easily, resulting in more funds raised. However, fundraising can sometimes have unintended negative consequences.

If you receive means-tested or income-based government benefits (such as Supplemental Security Income or Medicaid), these programs have strict eligibility rules linked to your income or to your assets (what you own and how much money you have in the bank). If you receive these types of benefits, be sure you understand when cash gifts, like the money you might receive from a fundraiser, can be counted as income so that you do not accidentally become ineligible for benefits.

Instead of fundraising, sometimes friends or family want to help by paying your bills or rent, or buying groceries or other items for you. However, be sure you check with any charitable or government programs you are enrolled in about whether any "in-kind" (non-cash) assistance counts as income and would impact your eligibility for benefits.

Other Debt Payment Options

Debt consolidation

Debt consolidation is a process that generally involves taking out a loan to pay off all the debts you currently owe, so that you only have to make one payment instead of having to keep track of multiple debts/due dates/interest rates. It is wise to seek credit counseling or advice from a financial planner before making this decision so that you understand the terms of the loan, including fees and interest rates. You will want to consider whether you will end up paying more in the long run, or be charged more interest overall. With debt consolidation, there is no guarantee that you will end up paying lower interest rates or that you will eliminate your debt in a timely manner.

Debt consolidation tools for homeowners

There are many private lending companies that offer debt consolidation services. For homeowners, there are additional options. However, homeowners must be sure to understand the possible consequences of taking out a loan using your home as collateral, because if you stop paying (default) on a home equity loan or home equity line of credit, your home can be foreclosed on by the lender. For both a home equity loan and a home equity line of credit, you borrow against the “equity” in your home. Equity is calculated by subtracting how much you owe from how much your home is worth. These loans are commonly used when a homeowner needs to borrow a large amount of money for expensive home repairs or consolidating and paying off high interest debt.

Home equity loan: A home equity loan is where you take out a loan for a specific amount, which is secured using your home as collateral. You receive a lump sum of money when you take out a home equity loan. The interest rates and repayment terms vary.

Home equity line of credit: A home equity line of credit (HELOC) is another type of loan calculated based on the equity in your home, using your home as collateral. It works much like a credit card, in that you are offered a line of credit that you can borrow against when you need it. You can borrow multiple times against that line of credit, and only pay back what you borrow.

These options may not make financial sense if you are already having difficulty paying your mortgage. In that case, you may wish to explore other options to better suit your financial situation.

Paying debt with a credit card

Paying medical bills with a credit card may be the only option for some, but be sure to consider this option carefully. If you put your medical bills onto a credit card, you may be less likely to be able to negotiate your debt. Credit card companies typically do not negotiate with people to reduce debt or interest or allow you to change your payment plan, whereas medical providers might have more flexibility. Additionally, because credit card companies charge extremely high interest rates, you may end up paying much more in the long run than you initially owed for any medical bill. For additional information about managing medical debt, including information about medical bills and medical credit cards, please see the Cancer Legal Resource Center’s website.

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