



CITY OF SOMERVILLE, MASSACHUSETTS

CITY COUNCIL

WILLIE BURNLEY JR. AND CHARLOTTE KELLY

CITY COUNCILORS AT LARGE

ARPA proposal - Medical debt cancellation

1. Project description

This proposal outlines a path to canceling medical debt for more than **4,500 Somerville residents**, which equates to more than **\$4.3 million** dollars of debt relief based on the average medical debt held by residents of the Commonwealth. Because purchasing debt is incredibly inexpensive as compared to paying off debts, the eradication of this debt would be for pennies on the dollar - as it was in Cook County, IL, which used \$12 million of ARPA funding to alleviate \$1 billion of medical debt. The program would need staff or a vendor to confirm debt-holding-residents via debt-holding institutions such as hospitals, administration of funds to ensure cancellation of debts, and mailings to debt-holding households to inform them of the cancellation via this program. This program would not need ongoing staffing, funding, or permanent infrastructure as it would not be annual. The cities of Toledo, New Orleans, and Pittsburgh, have already used ARPA funding toward these ends. The criteria used by the aforementioned municipalities and counties that worked with the non-profit RIP Medical Debt were resident (or guarantor) household incomes between 0% and up to 400% of Federal Poverty Guidelines, or the medical debt being assessed representing 5% or more of annual household income. This proposal recommends Somerville follow a similar criteria standard.

2. Project justification

The ongoing COVID-19 pandemic has heightened the struggles and deepened the levels of precarity that residents in Somerville face, including housing insecurity, access to healthcare, safe and stable employment, hunger and other issues of economic justice. COVID-19's unprecedented public health crisis has forced more people to interact with the healthcare industry. Medical debt in the United State remains an issue of racial and economic justice. Medical debt is the leading cause of bankruptcy in the US and is recognized as a social determinant of health resulting in poor physical and mental health for those who suffer from it. According to the Consumer Financial Protection Bureau, 58% of debts recorded in collections were for a medical bill. Communities of color

disproportionately carry medical debt. According to the National Consumer Law Center's 27.9% of Black households [carry medical debt](#) compared to 17.2% of white non-Hispanic households. Similarly, [census data](#) demonstrates that "households with a householder of Hispanic origin were also more likely to hold medical debt (21.7%) than households without (18.6%)."

Somerville has an opportunity to lead boldly around the issue of healthcare debt, support our residents who continue to struggle due to exasperated economic and medical impacts of COVID-19, and strengthen our relationship with medical institutions that serve as the primary point of medical care for our residents. In Somerville, taking into account the average medical debt of Massachusetts residents, more than **4,500 residents** carry an estimated **\$4.3 million dollars** of health care debt. Across the country, municipalities are finding ways to shoulder the burden of our unjust healthcare system and ensure that no resident goes into life altering debt because of their need to access health care. The City has spent millions of dollars to combat the COVID pandemic; because medical debt is correlated with people not seeking medical treatment, it must also be combatted to prevent the spread of disease. Medical debt also represents a threat to residents' fiscal health, as it can worsen credit scores which are used when attempting to rent or buy a home, receive a loan, as well as being correlated with increased risk of bankruptcy. Furthermore, proactive and preventative efforts such as this are cost-effective methods to prevent the further spread of illness.

3. Detailed timeline

The following timeline is based on similar debt cancellation programs conducted using ARPA funds in municipalities and counties around the country. This timeline is subject to change based on the needs of staff or vendors. The start up timeline for this project will remain the most time consuming and once the debt cancellation process begins, the actual timeline from debt-cancellation to notification of residents should be short.

- a. Identifying and contracting with subcontractor - two (2) to three (3) months
- b. Startup period once subcontract is finalized - estimated at two (2) months for operational development
 - i. Establish program management infrastructure
 - ii. Recruit hospitals and other providers so they agree to sell or donate medical debt to Program purposes.
 - iii. Request and receive patient accounts data files from hospitals and other providers

- iv. Continue to request and receive patient accounts data files from commercial debt buyers who have acquired medical debt from residents for collections purposes
Analyze patient accounts data files (using proprietary scrubbing processes) to Identify individuals with medical debt that meet Program Eligibility Criteria
- v. Develop proposals to acquire medical debt based on a pricing model
- c. Administering debt cancellation - one (1) to two (2) month
 - i. Decision made by the city on transactions
 - ii. Communication with residents regarding debt cancellation by the city
 - iii. Use ARPA subrecipient funds to acquire and cancel medical debt for eligible individuals
 - iv. Issue letters to notify individuals that medical debts have been canceled
- d. Final communication and evaluation of program one (1) to two (2) months
 - i. Solicit and collect testimonials from program recipients
 - ii. Conduct data analysis and develop insights to guide city on progress and program impacts
 - iii. Comply with Treasury/city-Wide/Program-Specific/and Equity metric reporting requirements

4. Detailed evaluation

ARPA fund recipients are required to track specific performance indicators and programmatic data in order to comply with program award reporting requirements, including a quarterly “Project and Expenditure” report, and an annual “Recovery Plan Performance Report.” The city department and/or the agency conducting the debt cancellation should have access to its records and financial statements as necessary for meeting federal requirements. Funding expenditure records must also be kept for five years after all funds have been expended or returned to the Treasury.

The City department and/or the agency conducting the debt cancellation should:

- (a) create and administer a survey of debt cancellation recipient to identify the results of their debt cancellation in order to gather information from residents regarding the social determinants of health impacts including but not limited to:
 - a. Impacts on credit score or other economic justice impacts
 - b. Relief on stress
 - c. Enhanced access to health
 - d. Ability to afford basic necessities

(b) maintaining a cumulative de-identified spreadsheet identifying (i) the number of residents impacted, (ii) amount of debt per resident, (iii) demographic information about residents impacted , (iv) length of time

5. Estimated budget

Cost	Purpose	How calculated
\$20,000	For administering agency and/or City or non-profit to design program rules, guidelines and documents for program set up.	Based on debt cancellation programs run in other parts of the US which estimated administration cost of 10% of the total program
\$180,000	Direct medical debt cancelation	Based on estimated \$962 average of medical debt held by Massachusetts residents
\$35,000	Contingency	If debt costs run higher than anticipated, budgeting a % of contingency in that case
\$5,000	miscellaneous funds	Based on similar costs of additional printing materials, mail, etc.

6. Questions

Question: *How much of our project funding will be used to run an evidence-based intervention?*

Access to healthcare broadly and medical debt more specifically are seen as social determinants of health. This type of program will have direct and long-lasting impacts on residents and is seen in the public health community as creating opportunities to positively impact people's health by relieving stress, enhancing people's access to health care and increasing their ability to afford basic necessities. In addition, medical debt is the leading cause of bankruptcies in the US. By eliminating medical debts, residents will drastically decrease their economic precarity and potential risk of bankruptcy.

Question: *How does your project utilize a strong evidence base to inform your intervention? Please describe the source and content of your evidence*

According to the City Health Dashboard:

- Somerville has a higher rate of children living in poverty (19.7%) versus the average (17.4%)
 - Because medical debt is correlated with bankruptcy, loss of employment, loss of insurance, and lower credit scores, and is more likely to impact low-income folks, canceling medical debt will lessen the burden on low-income families and could help raise some out of poverty
- 29.8% of Somerville's adults aged 65+ reported receiving preventive services, compared to an average of 30.1% across the Dashboard's cities.
 - Canceling medical debt could help us raise the preventative care that is sought by seniors, thus bringing us to at least the average and helping extend their life and quality of life. Medical debt disproportionately impacts seniors.
- “Somerville had an overall lead exposure risk score of 10 [out of 10], compared to an average of 5.5 across the Dashboard's cities.”
 - Because lead exposure is associated with negative health impacts, we can stipulate that Somerville residents need robust medical support

Question: Brief description of structure and objectives of assistance programs (e.g., nutrition assistance for low-income households)

This program will work with debt-holding-residents and debt-holding-institutions to directly cancel millions of dollars in unpaid medical debt. This program will target residents (or guarantor) household income between 0% and up to 400% of Federal Poverty Guidelines, or the medical debt being assessed represents 5% or more of annual household income. This proposal recommends Somerville follow a similar criteria standard. This program will lift a burden from thousands of Somerville residents who face the daily struggle of paying for housing, food, childcare, and their medical debts.

Questions left unanswered: While we may be able to estimate the cost of medical debt, through this process we will determine: *what the actual medical debt held by our residents is?* Somerville has effectively run similar direct subsidies and assistance programs. This is a great opportunity to take the lessons learned from the programs and apply them to this new terrain. In pursuing this project we should understand: *what were the lessons learned from previous direct subsidies and assistance programs run in Somerville?*

7. Conclusions

Ultimately, this project will serve the broader ARPA objective of protecting the health, safety, and welfare of Somerville residents by removing a barrier to medical care, relieving an economic stressor, and promoting economic justice for those impacted by the pandemic. Medical debt cancellation is evidence-based and will have long-term benefits for the community. By administering this program to residents living with an income between 0% and up to 400% of Federal Poverty level, this program will distribute ARPA resources to our most vulnerable residents, particularly residents of color and immigrant residents who are disproportionately impacted and led into bankruptcy by medical debt. The analysis necessary to implement this plan could also give the City of Somerville more data about the entire scope of medical debt of Somerville residents and provide a pathway for future debt relief programs. To execute this project will require the collaboration of community partners that serve the health and well being of our residents. When our residents are not forced to take on additional jobs to pay medical bills, when residents can prioritize basic needs over debt, or are able to address physical health and deal with less mental health stress due to costs, they are more free to engage with the Somerville community, enjoy their lives, and deepen community cohesion. To eliminate millions of dollars of debt with less than a quarter million dollars is an investment worth making for residents. Somerville has the opportunity to transform thousands of residents' lives with very few resources and this is an incredible opportunity to center equity and economic justice in how we spend our remaining ARPA funds.