



INDIANA COMMUNITY ACTION POVERTY INSTITUTE

Research and Public Policy

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Chair Brown and members of the Committee,

Our journey into understanding medical debt as a barrier to financial well-being began with a decision to include questions about debt on a survey of low-income Hoosiers. We heard back from just under 6,000 respondents and a surprising 47% reported that they had medical debt, with nearly a third reporting medical debt in collections. Digging deeper into national data and research studies, we learned that Indiana had an estimated \$2.2 billion of medical debt in collections and that this figure likely only scratches the surface because it doesn't represent bills on payment plans or paid by other means, like credit cards. Medical debts are typically from a one-time or unexpected health issue (72%) and both the insured and uninsured grapple with bills they can't afford. **An analysis by the Urban Institute suggests that nearly two-thirds of adults with overdue medical debt have incomes below 250 percent** of the federal Poverty level. Listening to Hoosiers, we know that this debt affects their ability to meet basic needs, causes people to deter care, and as Deborah on our team, who went through bankruptcy after having a baby in the NICU, puts it "knocks people down the ladder."

My colleagues will do/have done an amazing job discussing the impacts of medical debt and some of the possible solutions – like payment plans, financial assistance, and a pause on billing to dispute denials or errors – that would keep a debt from going to collections in the first place. The unfortunate reality, though, is that medical debt finds its way to court **and given the interests of this** committee, I'd like to focus there.

Pew Research Center suggests that a significant share of debt collection lawsuits may be attributed to medical debt. This includes:

- **Hospitals and providers suing patients directly.**
 - **An analysis done in Michigan found that one in 10 debt collection lawsuits were from health providers.**
- **Third-party debt collectors that purchase debt from hospitals and providers, typically for pennies on the dollar.**
 - **A recent analysis in Oregon revealed that once these are added in, [medical debt accounted for 34% of their debt collection lawsuits.](#)**
- **Financial service providers like credit card companies.**
 - **Some patient shift medical debt to credit cards or other financial products in an attempt to stay afloat before falling behind on these loans.**

In other words, medical debts could account for more than a third of all debt collection lawsuits in Indiana. And very few Hoosiers – most estimates I've seen are at or below 5% - have representation to help them navigate this.

State exemption laws are intended to help a person keep their head above water in these circumstances. In fact, Indiana’s constitution promises debtors “the necessary comforts of life” through meaningful exemptions to collection efforts. I’ve included a chart of Indiana’s current protections. I especially want to zero in on our wage garnishment protections.

	Amount protected	Indiana code
Wages	\$217.50/week	24-4.5-5-105
Bank account	\$450, if requested	34-55-10-2(c)
Home	\$22,750	34-55-10-2(c)
Other property	\$12,100	24-55-10-2(c)

We protect \$217.50/week (30 times the minimum wage – last changed in 2009) or \$923/month. That’s below the poverty level for a single adult and just 36% of the federal poverty level for a family of four.

Meanwhile, to meet basic needs, a person would require approximately \$1000 for rent, \$521 for the average used car payment, \$307 for a month of food for a single adult on the USDA low-cost food plan – and that’s already nearly double what our garnishment law protects without adding in utilities, health insurance, gas, child care, or other needs.

This isn’t just dollars and cents - its human impact. As one person we interviewed about garnishments put it: “I was having to borrow money in order to make my car payment. I was borrowing money and selling things in order to make my phone bill. I was hardly eating. I was hardly sleeping because I was just so stressed about how I was going to make ends meet.”

Upstream strategies like creating space to address billing or insurance errors, promoting robust financial assistance and offering affordable payment plan should help to prevent debt from going to collections in the first place. Improving exemption laws will help those unfortunate many who are taken to court over medical debt keep their heads above water while they pay their bills.

These are meaningful steps that could improve the financial well-being of Hoosier families and I thank you for considering them.