

MEDICAL DEBT ECOSYSTEM

The Mechanized Wealth Extraction from America's Patients

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EXECUTIVE SUMMARY

In this report, we characterize the growth and aggressive collection of medical debt as a systematic ecosystem of wealth extraction. Prior studies have documented the frequency with which many hospitals have sued patients for medical debt without disclosing upfront prices, and the long-term consequences of aggressive debt collection on bills whose underlying prices cannot be verified.¹ This study shows that there are many actors – including but not limited to healthcare providers – who take advantage of hidden prices and opaque billing to create a multi-layered, coordinated, and highly exploitive collection system that disproportionately plagues lower-income Americans unprotected by Medicaid billing restrictions on hospitals and providers.

We base these findings on a comprehensive examination of Virginia public court records. We find that from 2010-2024, Virginia hospitals and medical providers sought to collect \$1.4 billion in medical debt by bringing 1.15 million lawsuits against patients, constituting 27.1% of all the state's debt collection actions in District Court.² These suits generated more than 800K (812,948) judgments for providers, averaging \$1,753 per judgment, with most cases (84.6%) adding 6% annualized interest at a time when average interest rates hovered around 1.5%.³ More than half (52.7%) of the lawsuits were brought by nonprofit hospital systems, two of which filed nearly 190K lawsuits during 2010-2024.⁴

We additionally find that these 1.15 million debt collection lawsuits in Virginia District Court generated \$45.9 million in court costs, \$87.1 million in attorney fees, and led to over 400,000 (403,924) filings for garnishment of patients' wages and bank accounts.⁵ Twenty law firms were responsible for more than half (52.0%) of all medical debt collection lawsuits

(and 56.3% of subsequent garnishment orders) during this period, bringing an average of nearly 40K (39,779) cases per year.⁶

A gathering of supplemental materials, trips to courthouses, and patient interviews revealed that many of these medical debt lawsuits originated from hidden prices, predatory contracts, and opaque billing. Medical providers required patients to consent to unknown prices and hidden fees, including interest charges as high as 18% annually.⁷ Patients reported not having access to upfront prices before receiving care and were unable to understand their hospital bills or verify whether they had been sued over a fair market rate.⁸ Hospital price transparency files reveal the wide price variation for the same procedures within and across hospitals in the same state. We found that the prices for the same procedures varied by as much as 77 times across Sentara hospitals in Virginia, the largest medical plaintiff in the state, forcing some patients to pay thousands of dollars more based on their health insurance.⁹

Medical debt lawsuits inflicted severe financial and emotional distress on patients and their families. After being sued by Sentara Martha Jefferson Hospital, for care given without an upfront price, patients reported selling possessions, borrowing high-interest loans, struggling to pay for rent and groceries, and avoiding future medical care.¹⁰ Several patients believed they could lose their jobs or be jailed over nonpayment.¹¹ One patient sued by Sentara Health described her sense of helplessness: "This is my nightmare come true. ... People are having to choose between going to the hospital and staying home and dying. Because at least my family won't be burdened with a lawsuit if I die at home."¹²

TABLE OF CONTENTS

Medical Debt Ecosystem: The Mechanized Wealth Extraction from America's Patients

4	Introduction
6	Methodology
7	Results
10	Upstream Sources: Hidden Prices & Exploitive Provider Contracts
12	Who Sues: Providers that Pursue Extraordinary Collection Actions
17	Who Gets Sued: The Defendants
18	Who Helps Sue: The Attorneys
20	Who Collects: Employers Ordered to Administer Garnishments
21	Hospitals Garnish Their Employees
22	Discussion
27	Patient Testimonies
28	Circuit Court Suits, Home Liens, & Judgment Extensions
29	The No Surprises Act & Litigious Hospital Systems' Charity Care
30	Hospital Prices Vary
31	Private Equity Collection Suits
32	Medical Billing Errors
33	Medical Debt Reforms
34	The Power of Public Scrutiny
35	Appendix

MEDICAL DEBT ECOSYSTEM

The Mechanized Wealth Extraction from America's Patients



INTRODUCTION

One hundred million Americans hold medical debt, which means that for millions of Americans, a hospital visit ultimately leads to financial crisis.¹³ Hospitals now number among the largest debt collectors in state courts, making them a source of stress and poor health.¹⁴ More than one in three adults have delayed care out of fear of unknown costs, and medical debt is the leading cause of bankruptcy in the United States.¹⁵

Medical debt and its consequences have been described as a combination of gaps in public and private health insurance, inadequate and opaque insurance arrangements, and an unfortunate byproduct of illness.¹⁶ This description is incomplete. Instead, medical debt and collection efforts are the intentional results of deliberate business decisions made by a relatively small number of parties.¹⁷ These business practices have created a medical debt ecosystem that puts unsuspecting patients into poverty and poor health.¹⁸

This in-depth study of medical lawsuits in Virginia reveals the parties and the practices that constitute the medical debt ecosystem. It first identifies the hospitals and physician practices that keep prices hidden from patients, impose inflated bills and fees after providing care, and then refer unpaid bills to collectors.¹⁹ It then describes the debt collection legal system and a cadre of attorneys that aggressively sue patients

and swiftly obtain court judgments with little scrutiny of the integrity of the underlying bills.²⁰ Lastly, it documents the widespread use of garnishments that target large employers and banks, ordering them to extract wages and savings from their low-income employees and customers.²¹

A Supply Chain of Wealth Extraction

Each contributor plays a central role in what amounts to a supply chain of financial extraction. This is not a passive process. Healthcare providers, with insurers as accomplices, intentionally keep prices hidden, impose surprise bills on unsuspecting patients,²² and fight legislative and regulatory efforts to require price transparency.²³ Lawyers market themselves as aggressive initiators of collection lawsuits.²⁴ State courts apply little scrutiny before issuing collection judgments and then, completing the extraction cycle, issue garnishment orders to withdraw from patients' bank accounts and wages.²⁵ Patients have little remedy or recourse against this sophisticated profit-seeking machine.²⁶

It is worth emphasizing that medical debt, extraordinary collection actions, and the subsequent economic harm from garnishments, interest, and the like are all downstream problems of a dysfunctional healthcare billing system. Our system requires patients to assume financial responsibility for the care they

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HOME."

PATIENT GV0242002

receive while deliberately withholding the information they need to assume that responsibility. Prices are hidden, incomprehensible, and vary widely by patient and location, yet courts issue judgments without verifying the integrity of the charges.²⁷ Nonprofit hospitals, despite enjoying tax exemptions, fail to follow their own charity care policies, continue to withhold price information, and subject patients to the consequences.²⁸

The Medical Debt Ecosystem

In short, patients are pushed into financial ruin by a system that does not hold medical providers accountable for hiding prices,²⁹ issuing errant bills,³⁰ misleading patients, and pursuing an array of actions that harm the health of the very communities that support them.³¹ This depiction of the medical debt ecosystem should correct several important misconceptions in healthcare policy. It reveals that many hospitals do not serve as the safety net they claim to be but instead profiteer off a cycle of debt that reduces public health and well-

being.³² It documents how our court system, despite being subject to constitutional obligations to provide due process, and our legal profession, despite claiming to uphold professional ethics, are ensnaring individuals with poorly justified and often inaccurate judgments.³³ And it reveals how these judgments generate garnishments towards workers in low-wage industries such as retail, manufacturing, grocery, or convenience stores.³⁴

We focus on Virginia, but each state has its own medical debt ecosystem with its own characters.³⁵ Solving the medical debt crisis requires understanding the parties responsible for its root causes and its enablement throughout the collection matrix. It requires a health system that prioritizes transparent prices and informed financial consent,³⁶ courts that scrutinize spurious and high-volume claims from providers, and reforms that empower the public and private sectors to fight for affordable care and to mitigate the damage that medical debt wreaks.³⁷

METHODOLOGY

We obtained Virginia civil court data through VirginiaCourtData.org, an open source of court data for more than 45 million civil and criminal cases from 2000 through 2024, which used web scraping to compile available court records directly from Virginia's court system website.³⁸

We first gathered all civil cases filed in Virginia District and Circuit courts during 2010-2024 with case types labeled "Warrant in Debt" and "Garnishment" in District courts and filing types labeled "Complaint-Catch All," "Gapl-Warrant in Debt," and "Garnishment" in Circuit courts.³⁹ "Garnishments" are court orders that may lead to multiple withdrawals of funds or may not be successful. We then identified collection lawsuits brought by medical plaintiffs with text analytics and by manually parsing the subsequent dataset of 500,000+ unique plaintiff names. These cases required standardizing the names of medical plaintiffs, attorneys, and garnishees, assimilating up to 700 different spellings of some entities. We removed corporate debt using keyword searches, as well as manually reviewing all defendants that did not conform to the dataset's usual format of "last name, first name."

Second, we assigned medical specialties to all plaintiffs using text analytics, manual

review, and additional web-searches when needed. We additionally determined system ownership, tax-exempt status, and private equity backing for non-dental and non-nursing home plaintiffs that filed more than 100 court actions.

To track ownership over time, we cross-referenced plaintiff names against plaintiff addresses and "DBA" (doing business as) fields, as well as compiling additional information from Pitchbook, press releases, tax filings, past litigation, news articles, business websites, business social media accounts, Medicare Cost Reports, and, when necessary, phone outreach.

It was not always possible to identify when and whether a physician practice was purchased by a hospital, insurance company like United Healthcare's Optum, or private equity firm, particularly since private equity firms often do not disclose their roles in owning and operating physician practices.⁴⁰

Third, we collected testimonials from patients sued by Sentara Martha Jefferson Hospital in Charlottesville, Virginia. PatientRightsAdvocate.org researchers identified 80 patients who were scheduled to appear against Sentara Martha Jefferson Hospital from the Albemarle District Court dockets, as well as additional

patients from District Court data. We obtained their contact information from case records and people finder sites like WhitePages. The majority of defendants did not appear in court or answer the phone, and many who did feared hospital retaliation. However, we ultimately interviewed more than 20 defendants who agreed to share their stories.

The remainder of our data was gathered from publicly available sources. Information on hospitals' charity care and bed share was obtained from Medicare Cost Reports accessed through the Hospital Cost Tool developed by the National Academy for State Health Policy (NASHP), Rice University's Baker Institute, and Mathematica.

Sentara Health's machine-readable pricing files were downloaded directly from the hospital website on February 5, 2025; however, the dataset reflects the hospital's most recent update on April 1, 2024.⁴¹ Additional hospital price information was acquired from the Hospital Price Files Finder, an open source of publicly-available machine-readable price transparency data files compiled and maintained by PatientRightsAdvocate.org that contains pricing information for 6,000 U.S. hospitals.

RESULTS

Our main findings are as follows: First, hospitals and other medical providers in Virginia brought 1.15 million court actions and 403,924 garnishment actions to collect \$1.4 billion from patients during 2010-2024, constituting 27.1% of all debt collection suits in the state's District courts.⁴²

Second, nonprofit hospital-owned providers were responsible for the majority of lawsuits (52.7%) against patients.⁴³

Third, these actions inflicted patients with \$45.9 million in court costs while generating \$87.1 million in attorneys fees; just twenty law firms were responsible for initiating 53.2% of all medical debt collection actions.⁴⁴

Fourth, roughly one in three (33.5%) judgments in favor of the plaintiff led to garnishment orders, and both collection and garnishment orders disproportionately targeted low wage workers.⁴⁵

Fifth, patients were routinely subjected to hidden and varying prices for hospital services, with one service ranging from \$1,583.07 to \$121,489.11 across a common health system.⁴⁶ Finally, patient interviews revealed that patients could not access prices, did not understand their bills, and experienced significant financial and mental distress.⁴⁷



The Ecosystem Participants

MEDICAL DEBT COLLECTION LAWSUITS

Medical debt collection involves a supply chain of actors – beginning with the hidden prices of hospitals and providers, continuing with actions by legal officers and institutions, and ending with the employers ordered to enforce penalties.

HCA Health
Chesapeake Reg. Health
Lifepoint Health
Ballad Health
Community Health Systems
Eastern VA Med. School
Ortho Virginia
Carilion Health
Atlantic Anesthesia
Valley Health
Mary Washington Health
UVA Health
Inova Health
VCU Health
Sentara Health

1.55M

medical debt collection lawsuits & garnishment orders were filed in Virginia in 2010-2024

Plaintiffs

Hospitals 60%

of all court actions were hospital-owned providers with 926.6K actions

Nonprofits 52%

of all court actions were brought by nonprofits with 802.2K actions

Physicians 12%

of all court actions were brought by anesthesia, emergency, cardiology, EMS, lab, & imaging providers with 187.6K actions

Sentara Health 7%

of all court actions were brought by the largest filer of medical lawsuits with 106.6K actions

Prices Vary 77x

Sentara Health charged patients prices that varied by as much as 77 times in Virginia

Lawsuits & Courts

Medical Non-Medical Collection Suits



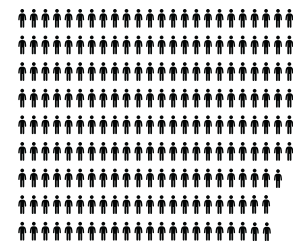
District Court Suits

\$1.4 billion

Medical debt principal

Attorneys & Courts

209 patients sued per day



Plaintiffs won judgments across the majority of suits, adding attorney & court fees. This does not include suits paid off before the court date.

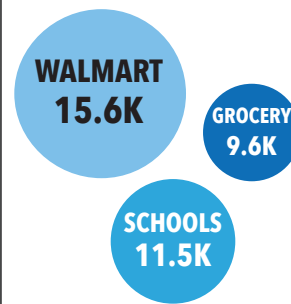
\$134M added fees

20 Law Firms

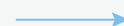
brought 53% of the court actions against patients

Employers

Medical plaintiffs filed 403.9K garnishment orders, mainly targeting patients working in low-wage occupations. Defendants lived in higher-poverty, lower-income communities.



MOST LITIGIOUS HEALTH SYSTEMS FILED 692K LAWSUITS AGAINST PATIENTS



Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org.

Figure 1: Distribution of Lawsuits by the Principal Amounts Sought by Hospitals and Medical Plaintiffs in Virginia District Courts, 2010-24

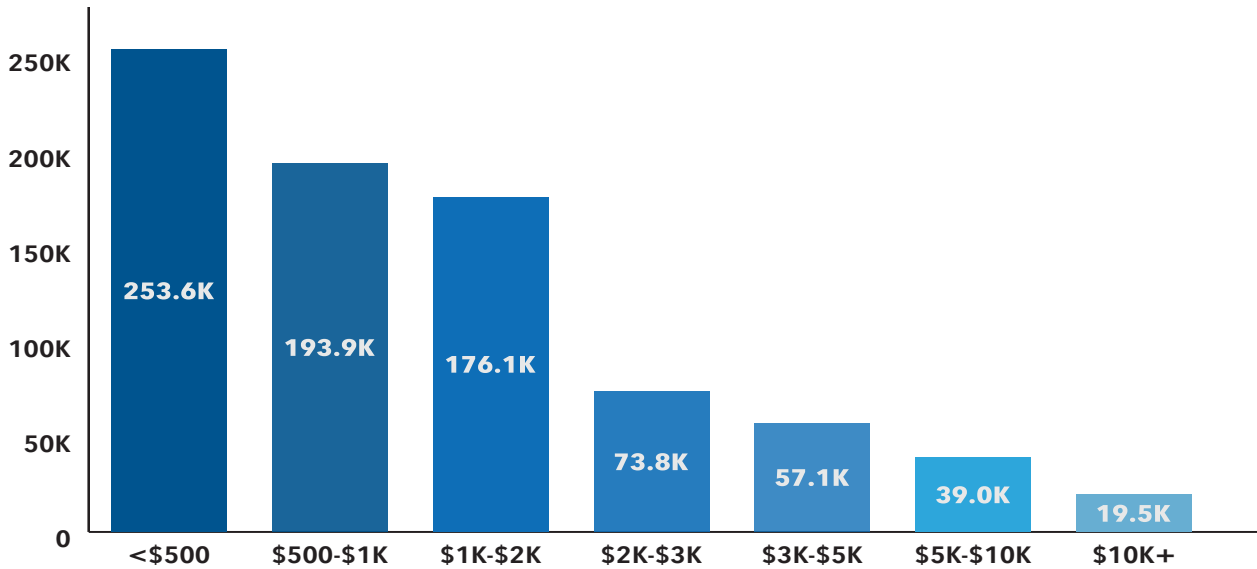


Figure 2: Medical Debt District Court Actions in Virginia, 2010-24

Virginia District Court Actions	Totals
Total Warrants in Debt	1.15M
Total Garnishment Orders	403.9K
Judgments for Plaintiffs	812.9K
Judgments Generating Garnishment Orders	33.5%
Average Principal Amount	\$1,753
Total Principal Awarded	\$1.4B
Total Attorney Fees Sought	\$87.1M
Total Court Costs Sought	\$45.9M
Total Cases Charging Statutory 6% Interest	687.4K

Principal amounts were only available for judgments awarded to the plaintiff. Attorney fees and court costs likely underestimate the amount owed by patients because of the profusion of blanks and NA's in the Virginia court dataset. Furthermore, our dataset lacks judgment amounts for Circuit Courts, which handle any lawsuit pursuing a debt over \$25,000. The dataset may also be missing District Civil cases heard from April to June of 2022. Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org.

Upstream Sources: Hidden Prices And Exploitive Provider Contracts

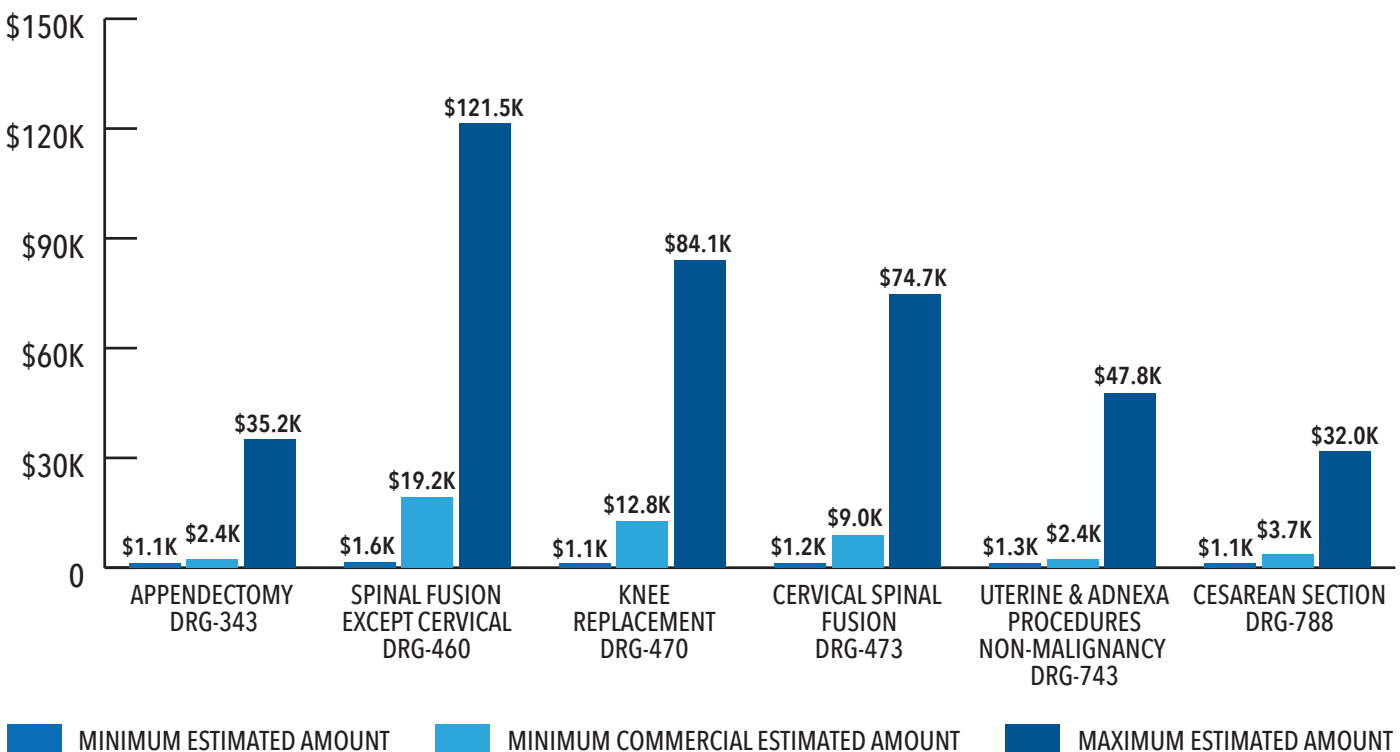
Medical debt is not the result of excessive spending or financial mismanagement. Rather, patients often lack the information necessary to make fully informed decisions about the cost of their care upfront, thereby preventing them from comparing prices, benefiting from competition, and protecting themselves from overcharges.⁴⁸ The prices they are subject to, and the prices that are processed for collection, are not available at the point of service and in the moments that patients consent to care.⁴⁹ Patients often only come to realize the price of their care when they receive the bill weeks or months later.

A backdrop to hidden prices is the broader lack of underlying market rationale for health-care prices. A hallmark of the current health-care market is that providers charge widely different prices for identical services at iden-

tical locations.⁵⁰ Sentara Health, for example, charged insured patients prices that varied by as much as 77 times for common medical procedures, differences based not on medical complications but on health insurance alone.⁵¹

To empower patients and employers with upfront pricing information, in 2020, the Department of Health and Human Services issued the Hospital Price Transparency Rule, which requires all hospitals to post prices online including all negotiated rates, discounted cash prices, and gross charges for all items and services.⁵² However, enforcement of the Price Transparency Rule has been lax, and compliance has been sparse.⁵³ For example, Sentara Health's hospitals did not post any negotiated rates for any of the HCPCS medical billing codes in Virginia in 2024.⁵⁴ Prices are both hidden and vary widely.⁵⁵

Figure 3: Price Variation Across Sentara Health Hospitals in Virginia in 2024



Source: Researchers' analysis of price transparency files posted by Sentara Health hospitals in Virginia. An "estimated amount" is the average dollar amount a hospital historically received from a third-party payer for an item or service.

"WHEN YOU DON'T
KNOW WHAT THE PRICES
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THEY TAKE MONEY AWAY
FROM ME, THEN I CAN'T
AFFORD MY RENT."

PATIENT A

Patients are left highly vulnerable when they require medical care. They are asked to enter into financial agreements in which they do not – and cannot – know what obligations they assume.⁵⁶ These financial arrangements, usually established in hospital admissions agreements or documents in which patients consent to care, serve as the legal basis for hospital collections.⁵⁷

These documents reveal perhaps the most unseemly aspects of healthcare financing. Providers, knowing how vulnerable patients are at the point of care, do not assume fiduciary obligations to ensure patients understand and assent to the financial consequences of care. To the contrary, many exploit this moment of vulnerability.⁵⁸

Sentara Health's consent to care document, for example, required patients to pay "charges" in accordance with hospital's "charge master," which reflect prices that are intentionally well above market rates and are amounts that no willing purchaser would ever agree to.⁵⁹ In addition, the document requires patients to pay "33 1/3% attorney's fees, or

collection agency fees... plus costs, and interest at the current rate applicable by Statute to Virginia Judgments."⁶⁰

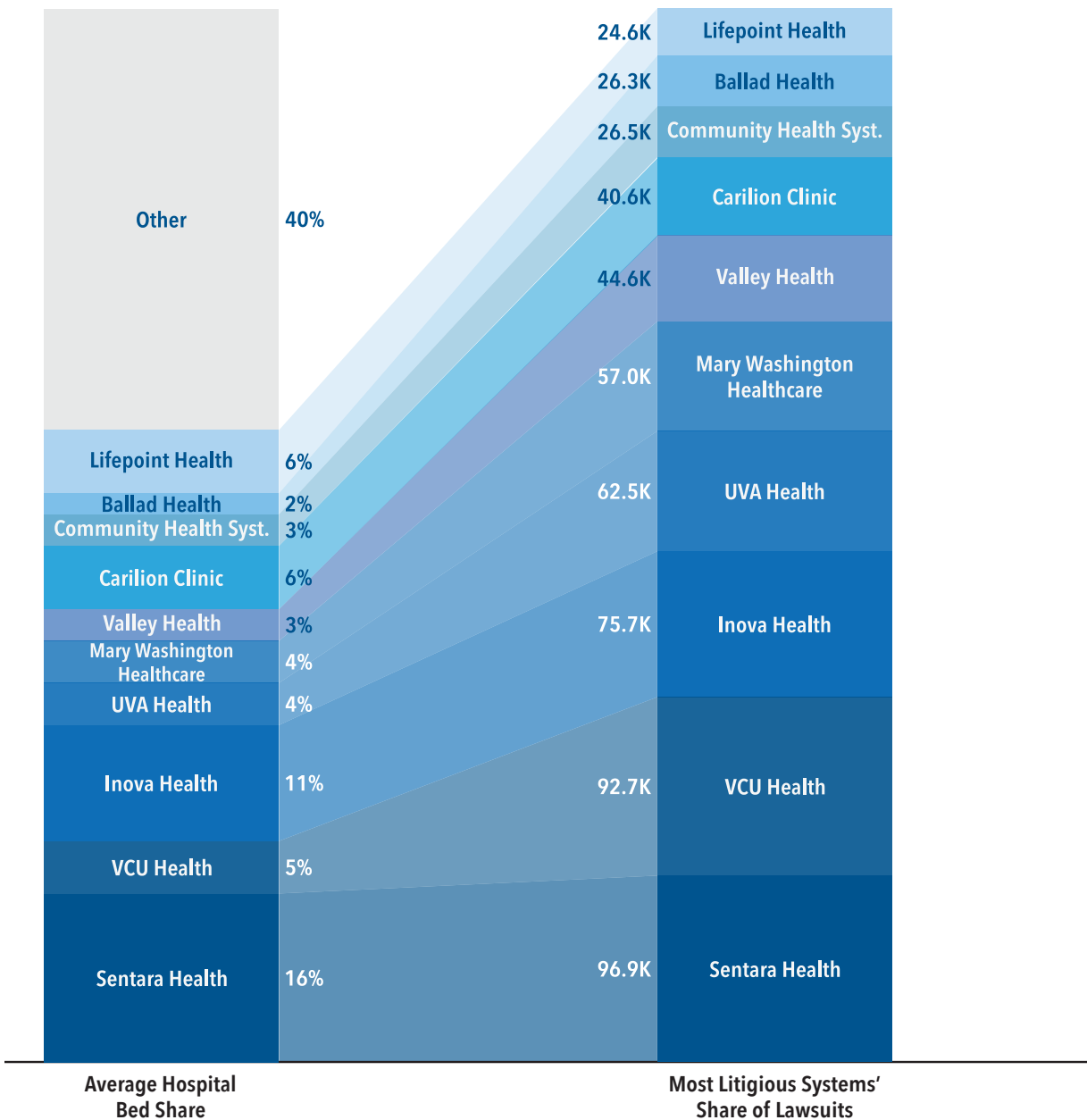
Some providers include even more onerous provisions. OrthoVirginia's consent document, for example, included an obligation to pay 18% interest, a rate four times higher than average prevailing commercial interest rates at the time.⁶¹

In sum, patients are asked to sign documents that commit them to paying prices that are hidden and undisclosed for care that has no stable and predictable market price. Many are additionally committed to paying excessive interest charges, plus additional courts and attorneys fees. And, as we see below, failure to comply with these onerous provisions subjects patients to costly proceedings and coercive collection actions. This amounts to more than merely a literal "your money or your life" decision.⁶² Today's patients, as a condition for receiving treatment, are asked for their money, acceptance of multiple penalties, and submission to the full coercive force of the state.

Who Sues: The Providers That Pursue Extraordinary Collection Actions

Not all hospitals or physician practices sue their patients to collect on medical debt – in fact, by all accounts, the majority of hospitals in the U.S. have decided to decline pursuing litigation against patients. Nonetheless, our findings in Virginia are consistent with findings from other examinations of medical debt collections, which is that many hospitals and physician practices have made the decision to pursue extraordinary collection actions.⁶³

Figure 4: The Most Litigious Hospital Systems' Lawsuits by Their Average Share of Hospital Beds in Virginia, 2010-24



"Other" includes Chesapeake Regional Healthcare, HCA Health, Centra Health, Riverside Health, Augusta Health, Bon Secours Health, Novant Health, VHC Health, and independent hospitals. This chart shows the top ten litigious hospital systems' average bed share versus total lawsuits filed during 2010-24. The average share of hospital beds was calculated using the years when Virginia data was available (2011-23). Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org and Medicare Cost Reports from the NASHP Hospital Cost Tool.

Lawsuits by Nonprofit Status

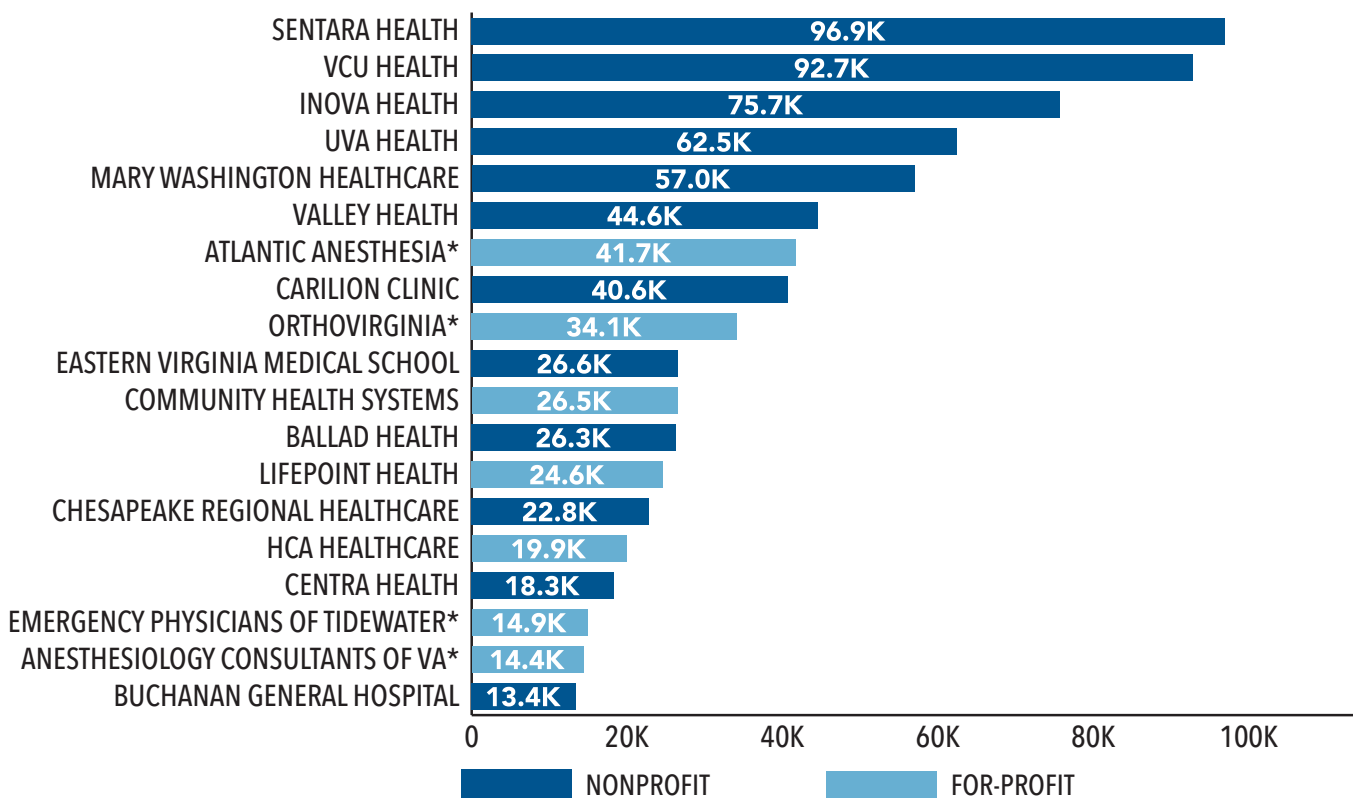
NONPROFIT HOSPITALS

Our top-line finding regarding who sues is that nonprofit hospitals were the largest initiator of medical debt collection lawsuits. Of the 1.5+ million debt collection actions (1.15 million suits and 403,924 garnishment orders) filed during 2010-2024, hospitals and other hospital-owned providers initiated 926,571, or nearly 60%, with the remaining 40% filed by independent providers, private-equity backed providers, or providers for whom ownership information was not available.⁶⁴ The vast majority, 802,163 or 86.6%, of hospital-initiated actions were filed by nonprofit entities.⁶⁵

“OUR KIDS HAVE DEFINITELY BEEN AFFECTED. THEY DON’T WANT TO GO TO THE DOCTOR, BECAUSE THEY WORRY THAT IT WILL FINANCIALLY HIT US. ... BECAUSE I DON’T KNOW WHAT I’M GOING TO PAY IN THE END.”

PATIENT GV18006528

Figure 5: Medical Debt Lawsuits by Nonprofit Status, 2010-24



*Physicians' practice. Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org.

Lawsuits & Charity Care

▼ TAX EXEMPTIONS

Nonprofit hospitals receive favorable tax treatment because they are expected to supply "community benefits." Tax-exempt status is estimated to be worth 5.9% of a hospital's operating expenses, or \$37.4 billion nationwide in 2021.⁶⁶ However, nonprofit hospitals dedicated only an average 2.6% of their expenses to charity care nationally in 2018, and instead billed \$2.7 billion to patients likely eligible for charity care in 2017.⁶⁷

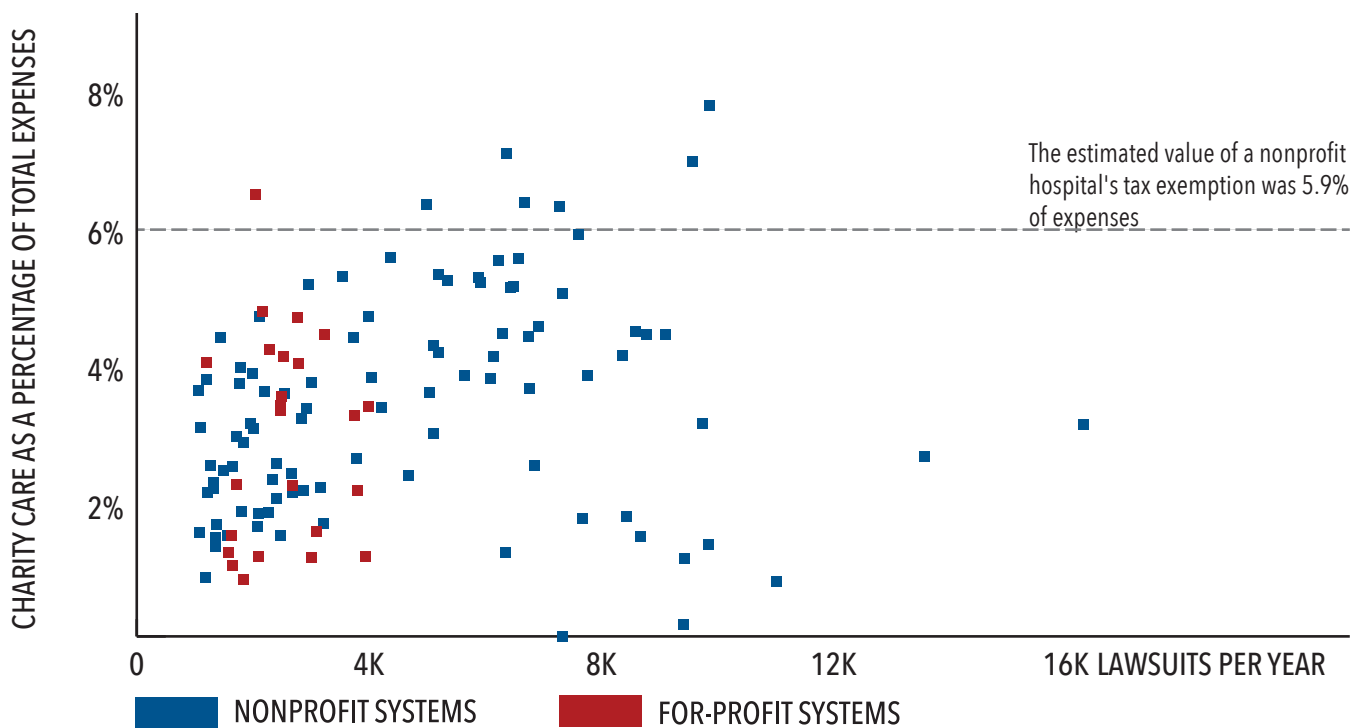
▼ CHARITY CARE

Virginia's litigious nonprofit hospitals fared poorly on metrics used to assess their charitable mission. Of the nonprofit hospital systems suing more than a thousand patients per year, 44.2% of hospitals spent less than 3% on charity care from 2011-2023.⁶⁸ Only 4.7% of these nonprofit litigious hospitals spent enough on charity care to equal the estimated value of their tax exemption in 2019.⁶⁹

▼ COLLECTIONS

Sentara Health's financial assistance policy first warns that its extraordinary collection actions "may include the outsourcing of the account to a collection agency that may report the delinquent account to one or more consumer reporting agencies (credit bureaus). In addition, a Covered Entity may file a lawsuit seeking judgment(s), record judgment(s), or deeds of trust, and dock lien(s) on realty."⁷⁰

Figure 6: Litigious Hospital Systems' Lawsuits and Charity Care Spending as a Percent of Expenses, 2011-23



This shows the yearly charity care spending for hospital systems that sued more than 1,000 patients per year and excludes three extreme charity care observations that appeared to be data anomalies. Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org, Medicare Cost Reports from the NASHP Hospital Cost Tool.

Lawsuits & Media Scrutiny

▼ PUBLIC BACKLASH

The University of Virginia (UVA Health) encountered severe public scrutiny in 2019 when it was revealed that the state’s flagship nonprofit hospital was suing patients for medical debt.⁷¹

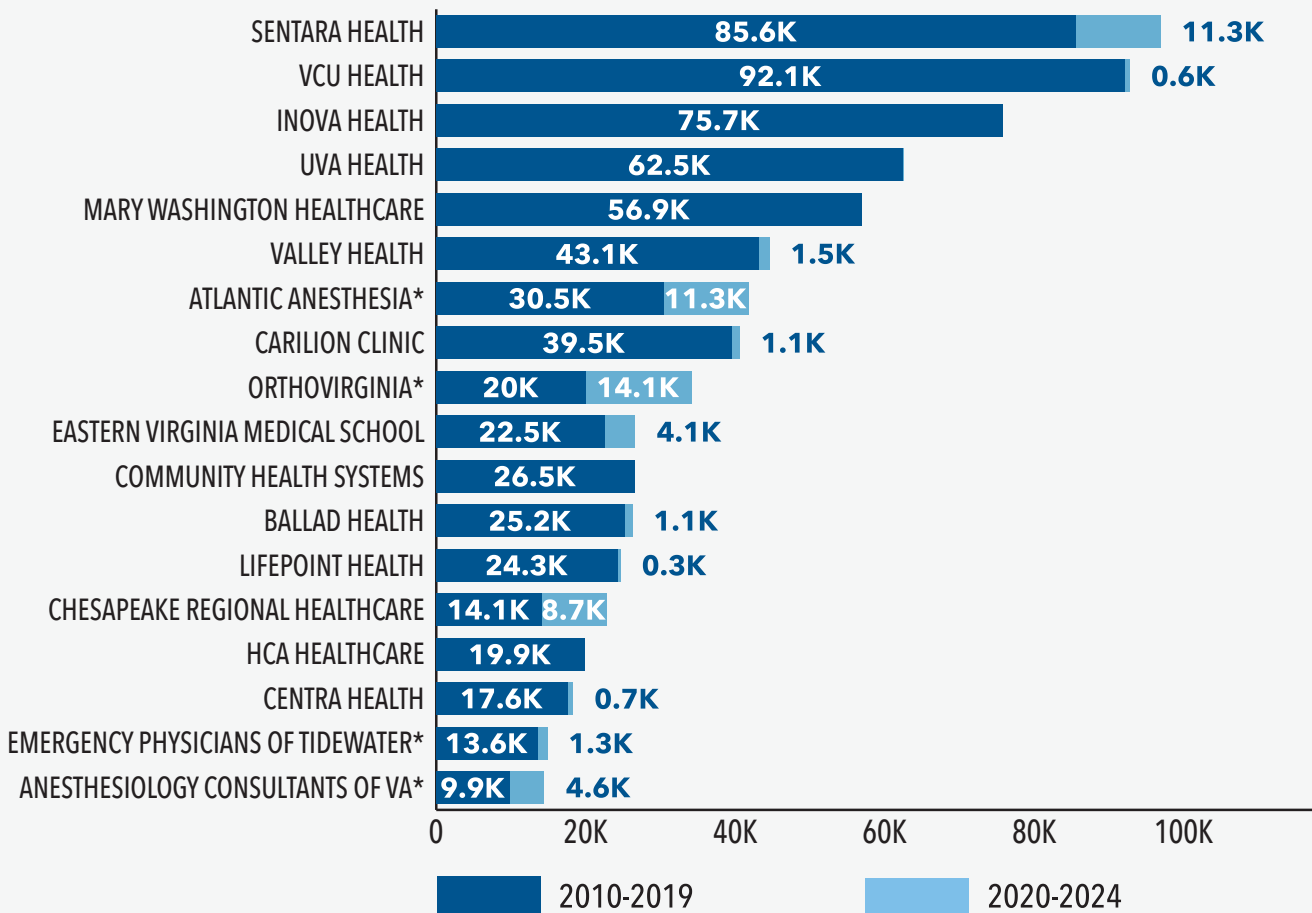
▼ BEHAVIOR CHANGE

Hospital lawsuits sharply decreased thereafter, and VCU Health, UVA Health, and Mary Washington Healthcare all announced that they would stop suing patients or erase liens on homes.⁷² Figure 7 suggests that UVA Health and Mary Washington Healthcare appear to have kept their word.

▼ LASTING CHANGE

Although they were among the state’s most litigious debt collectors from 2010-2019, we found no filed lawsuits from these hospital systems since 2020.⁷³ (Our data cannot determine, however, whether these hospitals are using "stealth intermediaries" to sue on their behalf.⁷⁴) The same cannot be said of VCU Health, which appears to have initiated some lawsuits since 2020, and Sentara Health, which is now the state’s most litigious hospital.⁷⁵ These two nonprofits single-handedly filed 16.5% of all debt collection lawsuits.⁷⁶

Figure 7: Healthcare Providers Suits Against Patients, pre- and post-2019



*Physicians' practice. Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org.

Lawsuits by Physician Specialty

Unlike prior studies, our examination of Virginia court records also documents the growing use of courts by physician practices. Although physician groups sued fewer patients than hospitals, certain physician groups in Virginia have shown to be particularly aggressive in both collecting debts and in using other legal tactics.⁷⁷ They also play important roles in the medical debt ecosystem.

First, our data reveals that many of the most litigious medical specialties belong to those with a history of issuing surprise bills and failing to provide upfront prices.⁷⁸ Prior research observed that nearly one in five emergency room visits resulted in a surprise bill in 2017, and the specialties most prone to issue surprise bills were anesthesiology, cardiology, emergency medicine, pathology, and radiology.⁷⁹ These specialties are also featured among Virginia's most litigious, and they initiated fewer lawsuits once the No Surprises Act took effect in January 2022 (see Figure 14).⁸⁰

Figure 8: Top Initiators of Medical Debt Lawsuits, by Specialty, 2010-24

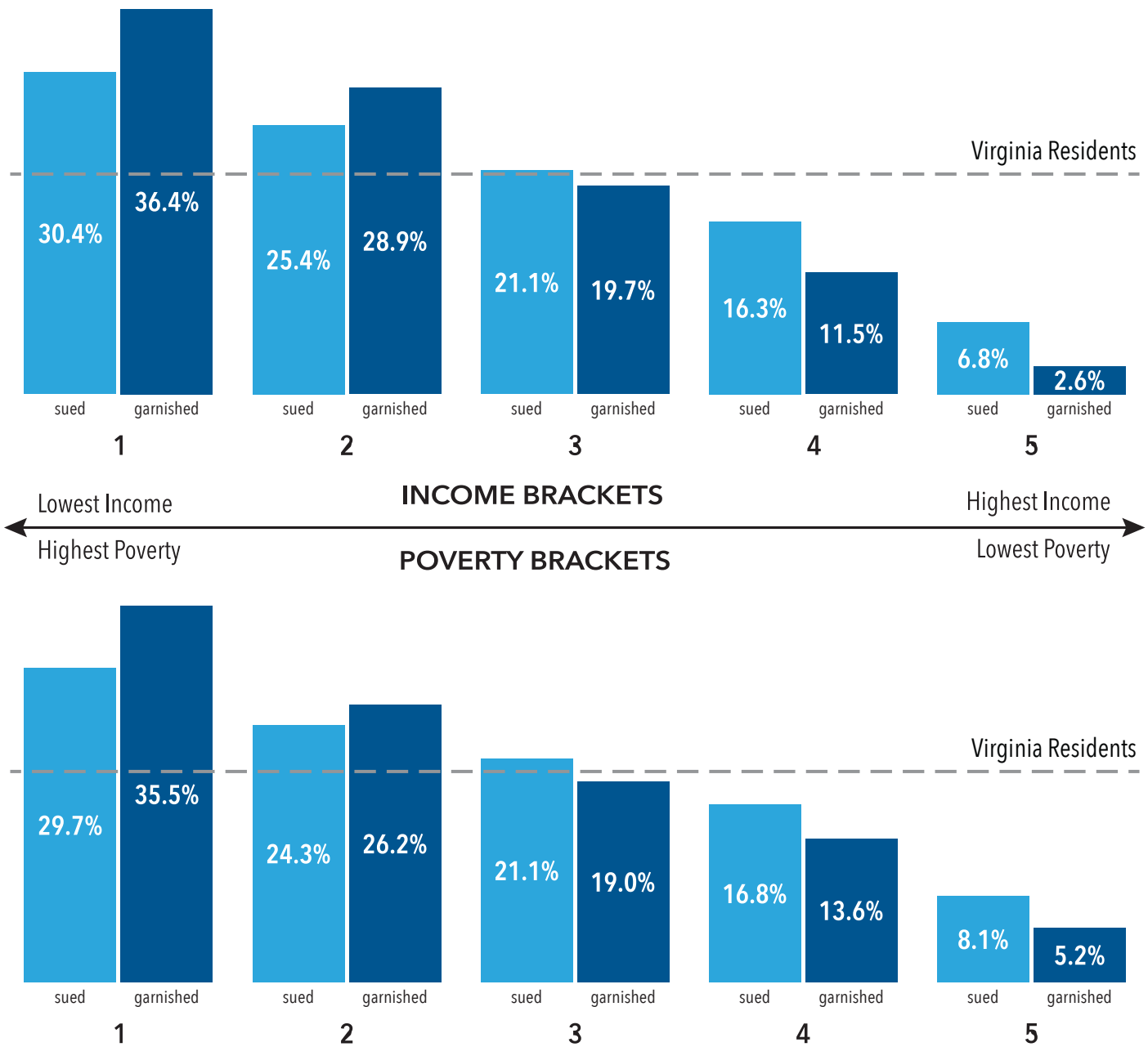
Most Litigious Medical Specialties	Warrant in Debt Cases	Garnishment Orders	Total Actions
Hospital	497,699	182,552	680,251
Physicians	152,333	41,352	193,685
Dental and Oral Surgery	80,588	25,992	106,580
Anesthesiology	73,269	30,285	103,554
Musculoskeletal	72,550	30,780	103,330
Primary Care	53,875	20,203	74,078
Surgery	37,196	12,242	49,438
Emergency Providers and Services	27,725	13,134	40,859
Digestive Health	19,768	7,667	27,435
Nephrology and Urology	16,341	6,080	22,421
Medical Transportation	13,168	1,100	14,268
Home and Senior Care	11,760	665	12,425
Lab and Imaging	11,575	3,724	15,299
Cardiology	10,830	2,826	13,656
Allergy; Ear, Nose, and Throat Doctors	9,692	2,044	11,736
Clinic	8,661	10,490	19,151

Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org. "Physician" is a catch-all category for practices that could not be classified.

Who Gets Sued: Defendants

Patients sued for medical debt are more likely to live in lower-income communities with higher poverty rates. Using census data, we created income and poverty brackets based on the 20th, 40th, 60th, and 80th percentiles of the population of Virginia residents. Whereas 20% of Virginia residents fall in each of the income and poverty brackets, patients sued for medical debt are concentrated in the lower-income, higher-poverty areas.⁸¹ Patients subject to garnishment actions reside even more disproportionately in low-income and high-poverty areas.⁸²

Figure 9: Virginia Patients Sued for Medical Debt Disproportionately Reside in Lower Income, Higher Poverty Zip Codes



Income reflects census data on median household income at the zip code level. Poverty reflects census data on proportion (within zip code) below 200% Federal Poverty Level. Income & poverty brackets are defined based on the 20th, 40th, 60th, and 80th percentiles of the (approximate) population distribution of Virginia residents. Researchers' analysis of Virginia District Court data from VirginiaCourtData.org. Not all garnishment orders are successful.

Who Helps Sue: The Attorneys

The state of Virginia has approximately 32,000 active attorneys,⁸³ but only a small fraction accounted for the lion's share of lawsuits against patients. Twenty small law firms, many with fewer than 10 attorneys in the firm, were responsible for initiating over half of all of Virginia's 1.15 million medical debt collection suits from 2010-

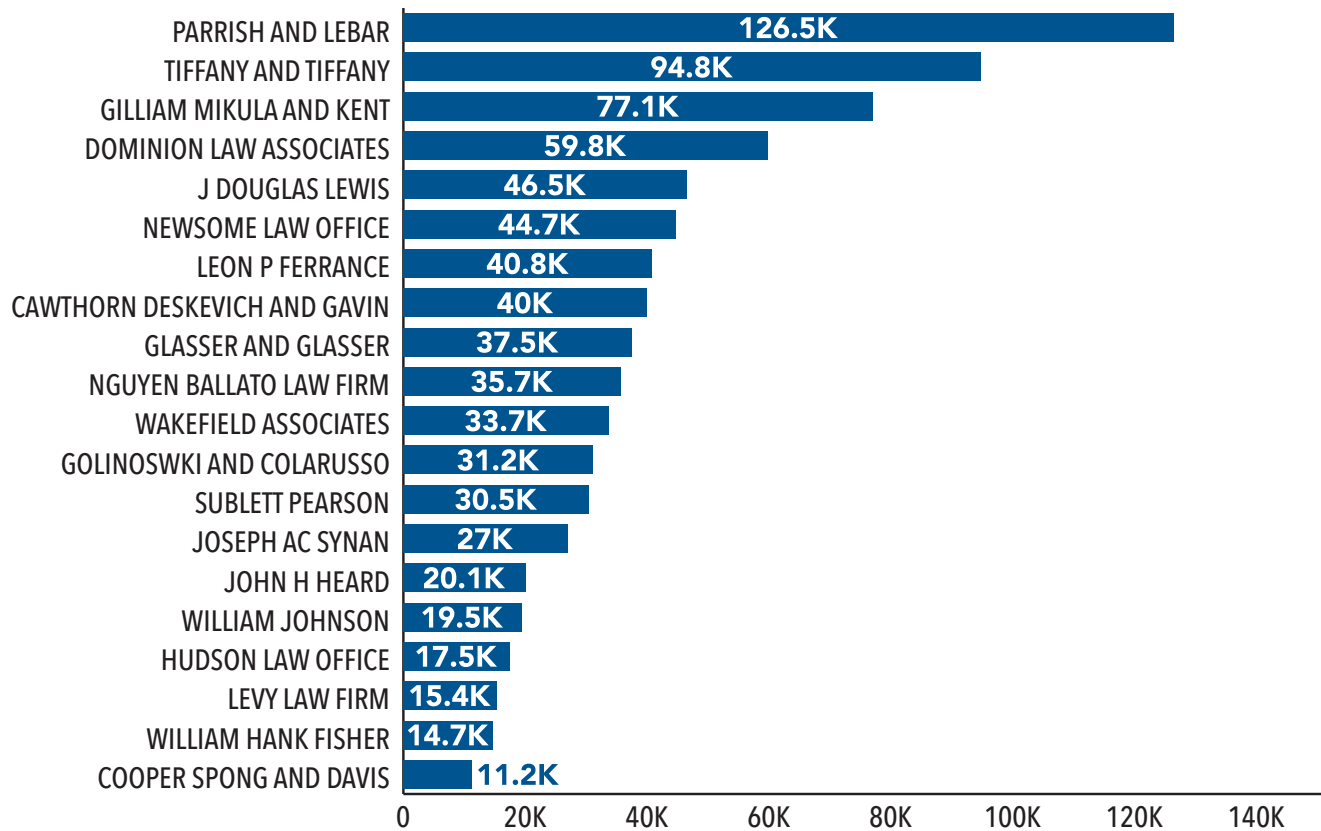
2024.⁸⁴ The "top" law firm, Parrish & Lebar, initiated 98,844 debt cases and 27,680 garnishment orders in 15 years, which comes to suing more than 18 patients each day.⁸⁵ Initiating this volume of lawsuits proved to be lucrative. Plaintiff attorneys assessed a total of \$87.1 million in attorney fees and \$45.9 million in court costs during this period.⁸⁶

"I had a court date tomorrow and didn't know about it? This is the weirdest thing ever. ... I've never gotten a speeding ticket, nothing. There's just no way I can get there tomorrow."⁸⁷

"My wife started bawling. ... They told me that they would tell my employer, garnish my wages, freeze my bank account."⁸⁸

"I didn't even know they were suing me. This is the first I'm hearing about it. ... I won't be able to attend the court hearing. I am sick."⁸⁹

Figure 10: Twenty Law Firms File Half of the Medical Warrant in Debts and Garnishment Orders in Virginia, 2010-24



Source: Researchers' analysis of Virginia District and Circuit Court data from VirginiaCourtData.org.

Who Helps Sue: The Attorneys

\$87M attorney fees

\$46M court costs

These lawyers played an important but underappreciated role in translating medical debt into extraordinary collection actions. In their own words, these law firms described the structural advantages they can provide to plaintiffs pursuing medical debt in court, and they illustrate a deliberate exploitation of the shortcomings of state courts.

ATTORNEY PROMOTIONAL MATERIALS

LACK OF NOTICE

"[W]e have a simple but effective method: demand payment and file suit if not paid within thirty (30) days' notice to the debtor. ... [W]e do not utilize a letter writing or telephone calling campaign prior to filing suit. We believe strongly that this is not the most effective way in collecting a debt due to the lack of legal backing until you have obtained a judgment."⁹⁰

LIENS ON HOME EQUITY

"We utilize all of the legal means available to us to collect the judgments ... including but not limited to: a. Garnishing wages or bank accounts; b. Levying property; c. Involuntary allotments for military personnel; and d. Conducting interrogatories to determine assets."⁹²

ASSESS ADDITIONAL FEES

"We will review any contracts used in your business dealings in terms of maximizing the collection potential in same. This means we will determine if additional provisions can be inserted to give you the highest amount of attorney's fees and interest in the case of default."⁹¹

DEFENDANTS BEAR COSTS

All of the costs associated with the recovery of accounts receivables will be deferred to the debtor including court filing costs, garnishment costs, and attorneys' fees."⁹³

Who Helps Collect: Employers Ordered to Administer Garnishments



WALMART
15K+

GARNISHMENT
ORDERS AGAINST
ITS EMPLOYEES'
WAGES



GROCERY
9K+

KROGER, FOOD
LION, TARGET,
DOLLAR
TREE, DOLLAR
GENERAL



**RETAIL &
OTHER**

15K+

PURDUE FARMS,
LOWES, TYSON
FOODS, 7-11,
AMAZON,
HOME DEPOT,
USPS



SCHOOLS
11K+

TEACHERS &
PUBLIC SCHOOL
EMPLOYEES

Garnishments Target Patients' Wages and Bank Accounts

Although Virginia law imposes limits to what kinds of assets and garnishments a creditor may seek after obtaining a judgment against a defendant,⁹⁴ there are few barriers that prevent a creditor from either garnishing bank assets or wages from an employer. The general rule is that plaintiffs can garnish 100% of unprotected funds from debtors' bank accounts and up to 25% of debtors' wages.⁹⁵

We find that medical providers frequently initiated garnishment actions against patients, bringing over 400,000 garnishment actions from 1.15 million lawsuits – in other words, over a third of judgments resulted in garnishment orders of wages or savings.⁹⁶ Moreover, plaintiffs targeted 28.6% of garnished patients more than once, and 12,448 patients faced garnishment orders four or more times.⁹⁷

Employers Ordered To Garnish Low Wage Workers

These patients primarily worked in low-wage industries such as retail and manufacturing, grocery stores, gas stations, and food service.⁹⁸ According to data from the U.S. Bureau of Labor Statistics, Virginia cashiers and retail salespersons earned an average of \$29,920 and \$35,880, respectively, in 2023,⁹⁹ which places a single person with an income near 200% of the federal poverty level.¹⁰⁰

Many garnishment orders (35,006) targeted banks and credit unions, but most garnishees were employers.¹⁰¹ Several employers under court orders to garnish wages – including Walmart, Home Depot, CVS, UPS, Purdue, and Dollar Tree – appeared to have entire departments dedicated to processing garnishments.¹⁰² Employers appear frequently to be at the final boundary of the medical debt ecosystem.

Who Helps Collect: Employers Ordered To Administer Garnishments

THE EMPLOYERS

(2010-24)

15.6K	WALMART
11.5K	PUBLIC SCHOOLS
3.8K	PERDUE
3.7K	POSTAL SERVICE
3.1K	CORRECTIONS
2.6K	SENTARA HEALTH
2.6K	LOWES
2.5K	KROGER
2.4K	FOOD LION
2.2K	TYSON
2.1K	AMAZON
2.0K	7-ELEVEN
1.9K	PUBLIC PARTNERSHIP
1.8K	DFAS
1.8K	TARGET

BANK GARNISHEES

(2010-24)

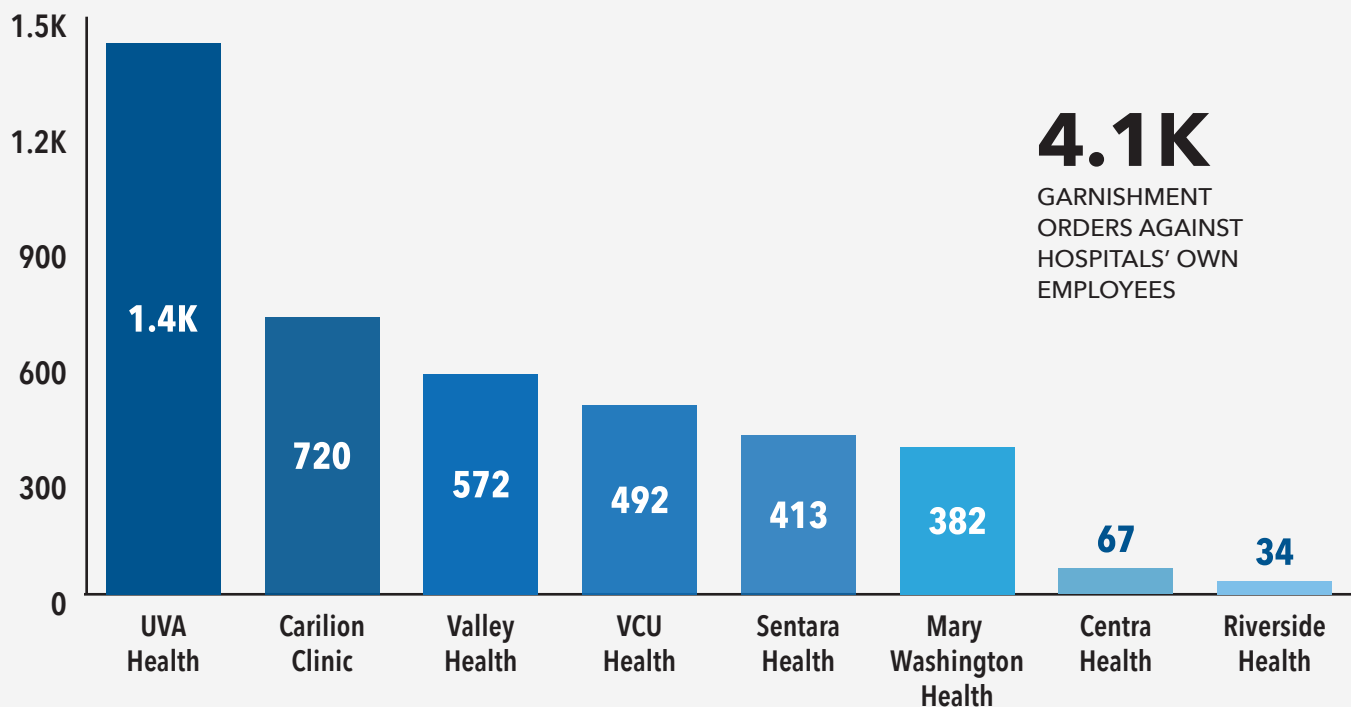
9.9K	WELLS FARGO
5.1K	TRUIST BANK
5.0K	BANK OF AMERICA
2.9K	NAVY FEDERAL C.U.
2.2K	CAPITAL ONE
1.1K	ATLANTIC UNION BANK
1.1K	VIRGINIA CREDIT UNION
721	WOODFOREST NATIONAL
682	PNC BANK

GARNISHMENT ORDERS

(2010-24)

1	195K PATIENTS
2	48.9K PATIENTS
3	16.7K PATIENTS
4	6.8K PATIENTS
5	2.9K PATIENTS
6	1.3K PATIENTS
7+	1.4K PATIENTS

Figure 11: Hospitals Garnish Their Own Employees' Wages, 2010-24



Source: Researchers' analysis of Virginia District and Circuit Court data from VirginiaCourtData.org.

Discussion

Medical collection lawsuits accounted for more than one in four collection cases in Virginia from 2010 through 2024.¹⁰³ In total, these lawsuits extracted approximately \$1.4 billion in judgments, plus additional court costs and interest payments, from Virginians.¹⁰⁴ These findings indicate that medical debt lawsuits are more pervasive than previously understood.¹⁰⁵ They illustrate that any discussion about the affordability of healthcare must confront the additional costs brought on by the medical debt collection ecosystem. To the degree that financial uncertainty causes stress and care avoidance, medical debt collection also deserves scrutiny from public health scholars. It is not just a window into the difficulties of paying for healthcare, but it is itself a source of diminishing health.¹⁰⁶

Because we only identify court proceedings in which medical providers sue patients for medical debt, our study unavoidably – and perhaps severely – undercounts the share and impact of medical debt in Virginia. It does not include the many situations in which patients use credit cards to pay for medical expenses, when medical expenses crowd out patients' ability to pay for other basic necessities and force greater reliance on credit cards, or the growing use by providers of financial intermediaries to sue patients.¹⁰⁷ In short, the size and proportion of our findings on medical debt collections have implications for all of consumer debt policy.¹⁰⁸

The Causes of Medical Debt

Accordingly, policymakers should prioritize understanding the causes and consequences of both Americans' medical debt and extraordinary collection actions. In this paper, we trace both the upstream causes and the downstream results of what we call a supply chain of medical debt extraction.

Our findings can inform a variety of health policy reforms. First, we find medical debt was the downstream consequence of hidden prices, opaque billing, and predatory contracts. We find that the hospitals that sued patients had pricing schemes that were varied, hidden, and incomprehensible.¹⁰⁹ Nationally, many lawsuits were based on medical bills that were incomplete or errant (see page 32).¹¹⁰ These findings offer further urgency to bring transparency and clarity to healthcare pricing and billing, and they illustrate the need for stronger federal enforcement to enable the shopping and price competition required to make prices affordable.¹¹¹

The majority of hospitals are noncompliant with the federal Hospital Price Transparency rule.¹¹² Despite urging from Congress, the Centers for Medicare & Medicaid Services (CMS) has not yet released regulations for the Advanced Explanation of Benefits,¹¹³ which would require insurers to provide patients with upfront prices.¹¹⁴ Transparency initiatives from states promise to be more

"EVERYTHING IS AGAINST THE CONSUMER. IT'S THE NUMBER ONE REASON FOR BANKRUPTCY IN THE US. IT'S MEDICAL COSTS."

PATIENT GV242001

effective, as several now require hospitals to send itemized bills and post their prices.¹¹⁵ These laws enable patients to verify the accuracy and fairness of charges and hold hospitals accountable to accurate pricing.¹¹⁶

Our findings also question the underlying system of relying on admissions agreements and contract law to hold patients legally responsible for medical bills. If patients are denied the prices required to understand their financial responsibilities or combat billing errors, there is slim basis to hold them legally responsible for any subsequent bill.¹¹⁷

Nonprofit Hospitals & Charity Care

Second, consistent with prior studies, we find that providers vary significantly in their collection policies. While some of Virginia's hospitals refrained from suing patients for medical debt, others sued thousands.¹¹⁸ Our finding that many of the most litigious hospitals enjoyed tax-exempt status at least raises the question of whether collection practices should inform the IRS's determination of what is required under the Section 501(c)(3) Community Benefit standard.

It is additionally relevant that the most litigious nonprofit hospitals in our sample also spent far less on charity care than they benefited from their tax exemptions.¹¹⁹ The efficacy and substance of the Affordable Care Act's addition of Section 501(r), which details the requirements that tax-exempt, nonprofit hospital organizations must meet to keep their 501(c)(3) status, may require revisiting.

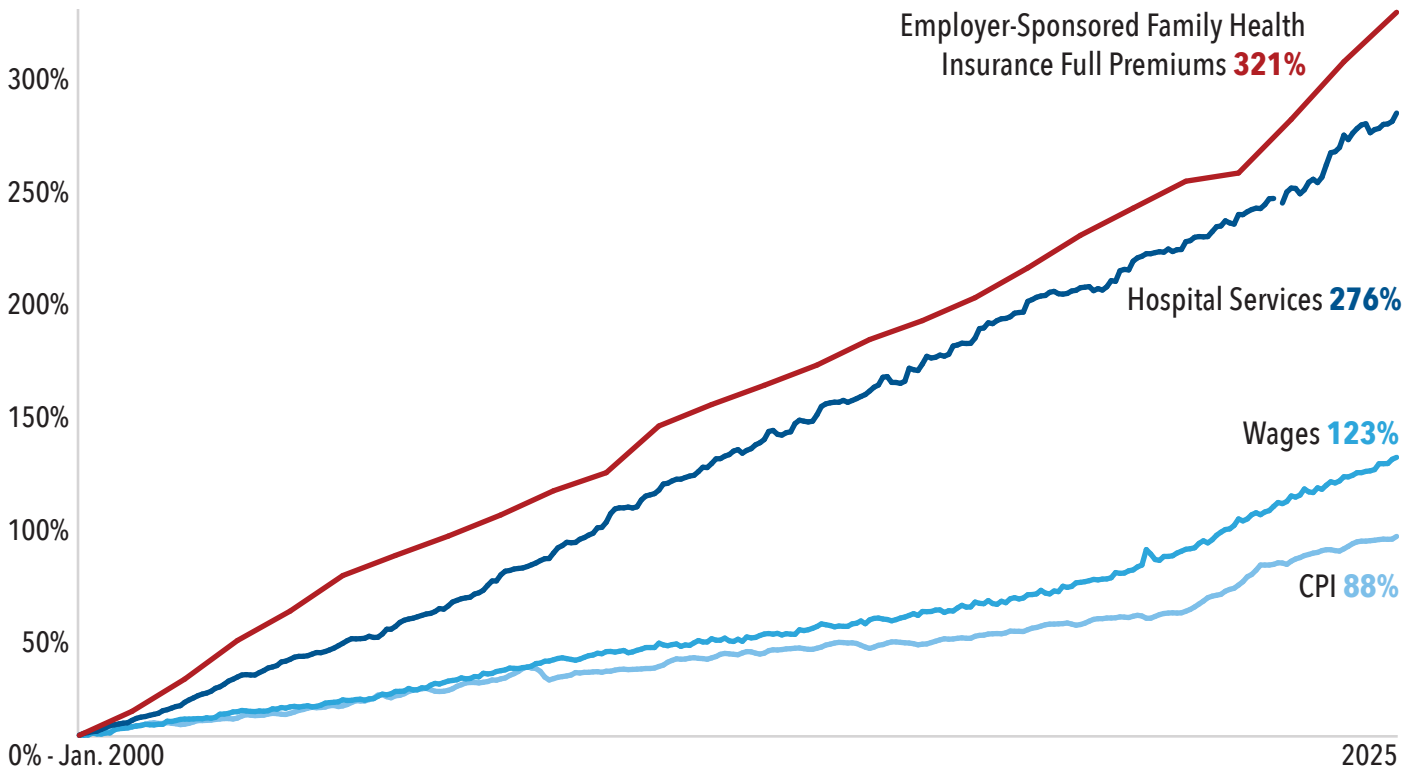
There have been widespread calls for the IRS to tighten its scrutiny of hospital tax exempt status, including either offering tighter definitions or enhancing requirements for charitable care, before qualifying for tax advantages. The conduct revealed by some of Virginia's hospitals may add fuel to these demands.

Our findings also suggest that extraordinary collection activity has become more common among physician practices as well. Virginia's physician specialty practices also sued thousands of patients, and private-equity backed lawsuits became more frequent in recent years (see Figure 18).¹²⁰ We also find that lawsuits brought by physician practices declined slightly after passage of the No Surprises Act, which suggests that the Act successfully thwarted certain surprise bill strategies (see Figure 14).¹²¹

The Lawyers Driving Debt Collection

Third, our findings offer some important, albeit familiar, critiques of courts and lawyers. Nationally, the majority of medical debt collection lawsuits end in default judgments, despite the widespread presence of billing errors, overcharges, and inadequate evidence supplied in court.¹²² We question the role of legal professionals who have aggressively promoted, and profited from, strategies that rely on speedy legal filings without adequate notice or evidence, particularly those that result in substantial harm to vulnerable individuals.

The Rate of Inflation in the United States from 2000-2025



Source: U.S. Bureau of Labor Statistics and the Kaiser Family Foundation¹²³

Employers' Fiduciary Duty

And fourth, our findings reveal a previously overlooked role that employers, under court order, play in enforcing medical debt collections. This finding has policy relevance on at least two levels. First, if most of the patients with wages subject to garnishment orders have health insurance from their employers,¹²⁴ the swelling numbers of employees with unpaid medical debt speaks to shortcomings in the employer's insurance product. This is especially troublesome as the cost of health insurance coverage has outstripped inflation, eroding workers' take-home pay, shrinking their benefits, and disproportionately burdening middle-and-lower-income workers.¹²⁵

The pervasive issuance of garnishment actions might implicate the role of employers as fiduciaries under the Employee Retirement Income Security Act (ERISA).¹²⁶ ERISA requires employers to manage health benefits with requisite prudence, and it is both unexplored but worth inquiring whether that fiduciary duty is implicated if employers administer

wage garnishments, even to comply with court judgments, when garnishments are products of errant billing claims and practices. Even if ERISA does not suggest employers should resist compliance, it may suggest that employers should not offer insurance products that direct patients to providers that hide prices, fail to follow charitable care policies, issue unsubstantiated and errant bills, and then sue patients in state court.

Moreover, employers may fail their fiduciary role and inadvertently contribute to their plan members' medical debt if they do not demand full access to their plan's pricing and claims data. Under ERISA,¹²⁷ employers are required to manage health benefits with care, diligence, and prudence. However, many employers and unions are denied the information needed to build more affordable insurance coverage.¹²⁸ For instance, employers often face restrictions from carrier contracts that prevent them from accessing their plan's claims and payment data, auditing their spending without con-

"WE'D BE HOMELESS.
I HAVE TO WORK TWO
JOBS TO AFFORD LIVING
HERE. IF THEY STARTED
TAKING MONEY OUT OF
MY PAYCHECK, I WOULDN'T
BE ABLE TO PAY MY BILLS. I
HAVE THREE CHILDREN."

PATIENT A

straints, negotiating lower prices, avoiding overpayments, or verifying the accuracy of their payments.¹²⁹ Several large employers have had to sue third-party administrators to allege mismanagement and demand full access to claims or health care cost data.¹³⁰

This current system of hidden prices, opaque billing, and restricted claims data presents a potential legal exposure for employers. Academics and policy advocates have recently observed that ERISA violations regarding health plan costs may be widespread, and some employees have sued their employers for allegedly breaching their fiduciary duties by overpaying for health care.¹³¹

Importantly, strengthening ERISA through regulatory action by the Department of Labor (DOL) may be the most effective way to improve the efficacy, transparency, and value of the nation's health care overall. Employers and unions cannot act in the best interests of their employees without full fiduciary transparency across the entire group health plan. ERISA grants the DOL the authority to mandate disclosure of detailed information to employers

that maintain group health plans. In fact, this very type of regulatory reform has a clear and successful precedent. In 2012, the DOL implemented guidance aimed at ensuring employers were entitled to all of the information necessary to understand retirement plan costs (including investment-related costs) and enable them to make better decisions in providing their retirement plans.¹³²

The DOL should require the same level of transparency for employers across their entire medical spend, including claims data, subcontractor arrangements, and all forms of compensation, as well as increased ability to audit and monitor the accuracy of actual claims payments. In fact, at the time it issued the retirement plan guidance, the DOL acknowledged that similar guidance would be appropriate for group health plans, and specifically reserved a future section of the regulations for that purpose.¹³³ The DOL should take steps now to finish what it started. Without this increased visibility into medical plan spend, employers cannot effectively fulfill their legal obligations under ERISA or take meaningful action to reduce health plan spending.

The DOL should direct similar regulatory attention to how certain shortcomings of employer-sponsored insurance directly affect employees. Our findings of widespread garnishment orders targeting employee wages for medical debt collections may reveal that ESI does not provide adequate financial protection. It may also mean that employers are failing to protect their employees from predatory providers or undisclosed bills.

Among the possibilities of the DOL ERISA rulemaking should be a requirement that employers publicly report the number of wage garnishments they administer because of their employees' medical debts. Such a disclosure requirement, without directly implicating employers of ERISA liability, would bring needed scrutiny to the degree that healthcare providers leverage garnishments for collections.

With greater transparency into their health plan expenses, employers could better control costs, fulfill their obligations to employees, and perhaps protect patients from medical debt lawsuits in the first place. By finally issuing guidance that requires more comprehensive compensation disclosure and that grants employers access to their complete claims data, the DOL could better empower employers to meet their obligations and, potentially, unlock significant cost savings across the private sector.

Conclusion

This paper characterizes the widespread use of state courts to collect medical debt as an extractive supply chain involving deliberate decisions by multiple actors. Accordingly, reforms should not be limited to addressing singular actions at an individual institution but must be crafted with this broader ecosystem in mind. Similar attention must be paid to both the upstream causes and downstream consequences that enable and sustain this collection ecosystem. In this sense, the medical debt ecosystem is both a self-sustaining cycle of poverty worthy of its own attention and a stark reflection of the broader systemic injustices in American healthcare delivery. Both the immediate harms and the underlying causes need urgent attention.

PATIENT TESTIMONIES

PatientRightsAdvocate.org staff called patients sued by Sentara Martha Jefferson Hospital, and these patients reported severe mental and financial distress.¹³⁴ Patients could not understand or validate their debt without upfront prices and itemized bills. Several patients believed they could be jailed over medical debt.¹³⁵ Others reported being told that they risked having their bank accounts frozen, their wages garnished, and their employer informed.¹³⁶

Many patients described “living paycheck to paycheck.”¹³⁷ These patients described working multiple jobs to support their families, particularly single mothers or small business owners who could not afford health insurance.¹³⁸ To pay their medical debt, patients took out high-interest loans or credit cards, drained savings, or sold possessions.¹³⁹ Parents also reported that even their children now feared seeking future medical care because of unknown prices and the threat of financial ruin.¹⁴⁰

Hidden Prices & Opaque Medical Debt

“You have no idea what you’re paying for, no idea. It’s frustrating. ... I keep up with a budget. I live a very budgeted life. I don’t make a lot of money. I have two kids ... It’s hard to live and afford housing and your bills and take care of your children. We don’t have a middle class like we used to. And the medical bills just make it harder.”¹⁴¹

“Every time I pushed back [on billing errors], they stuck to their guns. They charged me for fees that they did not earn. ... They don’t give you time to dispute it before it goes to collections, and collections goes to court. So I ended up paying all the bills.”¹⁴²

“I always try to get itemized bills because they will jack it up. ... This one, I have no idea, no breakdown, no nothing. ... It’s not going to make it easy. I’m a single mom, and I’m trying to put my son through school.”¹⁴³

Lawsuits Against the Most Vulnerable

“I didn’t know if me going to court would put me in jail or affect my employment. So I went and took out a [28%] high interest loan. ... It just caused a ripple effect throughout my life, and I’m trying to catch up. This is the first month I’ve paid my mortgage in time. If you cut back on groceries, then your kids are hungry.”¹⁴⁴

“It’s just me, and I have a special needs son. It’s hard. I’m a single mom. I don’t have \$4,000 sitting around. I’m thankful that I started contributing to a 401K when I was young and had it there. I can’t imagine what people would do who don’t know about the hardship withdrawal.”¹⁴⁵

“They know that you are destitute if you’re not willing to work with the companies that collect these bills. If they were legitimate bills – but we know that medical debt is absurd. It’s based on however much they can get.”¹⁴⁶

Lawsuits Inflict Financial & Mental Distress

“They told me that I had to pay half tomorrow. ... I called another attorney, and they told me to file bankruptcy. I didn’t want to do that. So I put half on a credit card.”¹⁴⁷

“We ran round and round trying to get the money. It was hard. We had to sell some things to get the money. But we didn’t want bad credit, so we struggled.”¹⁴⁸

“That goes to show you the level of crazy they are about getting their money.”¹⁴⁹

“They’re going get you for it with credit, one way or another, so you have to pony up. I’m a business owner, so I can’t handle any bad credit.”¹⁵⁰

“I didn’t tell my husband. He doesn’t know I’m here. I always pay my bills on time. I’ve never gone through this before. I’m nervous. ... It took a big chunk out of savings.”¹⁵¹

Circuit Court Lawsuits

Hospitals and medical providers filed 1,514 cases in Circuit Court, which handles debt cases larger than \$25,000.¹⁵² Across plaintiffs' judgments, 72.5% were default judgments, which usually occur after a defendant does not respond to summons or appear in court.¹⁵³ Circuit courts did not disclose judgment amounts in our dataset, but the top garnishees and attorneys largely mirrored District courts.¹⁵⁴

Liens & Judgment Extensions

Hospitals and medical providers can place liens against patients' homes or extend judgments to last 20 years if they file an "Abstract of Judgment." While we could not differentiate between the two, medical providers filed a total of 5,565 Abstract of Judgments from 2010-2024, suggesting that patients are either burdened with decades of interest fees or liens against their primary source of equity.¹⁵⁵

Figure 12: Circuit Court Cases Fall After Public Scrutiny of Top Plaintiffs

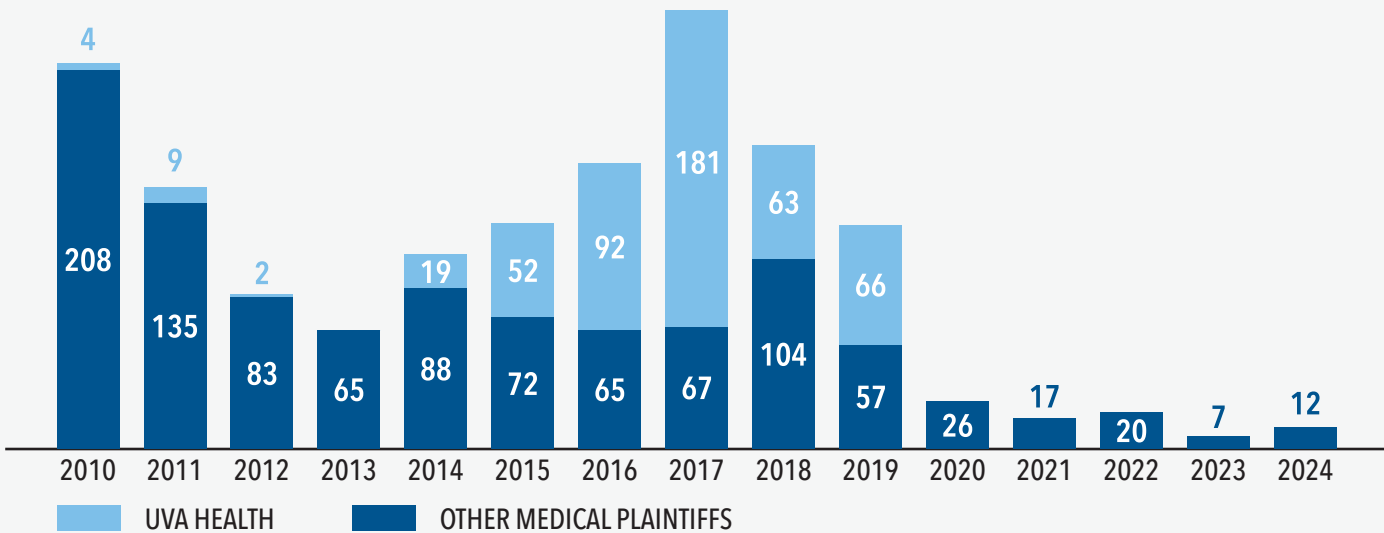
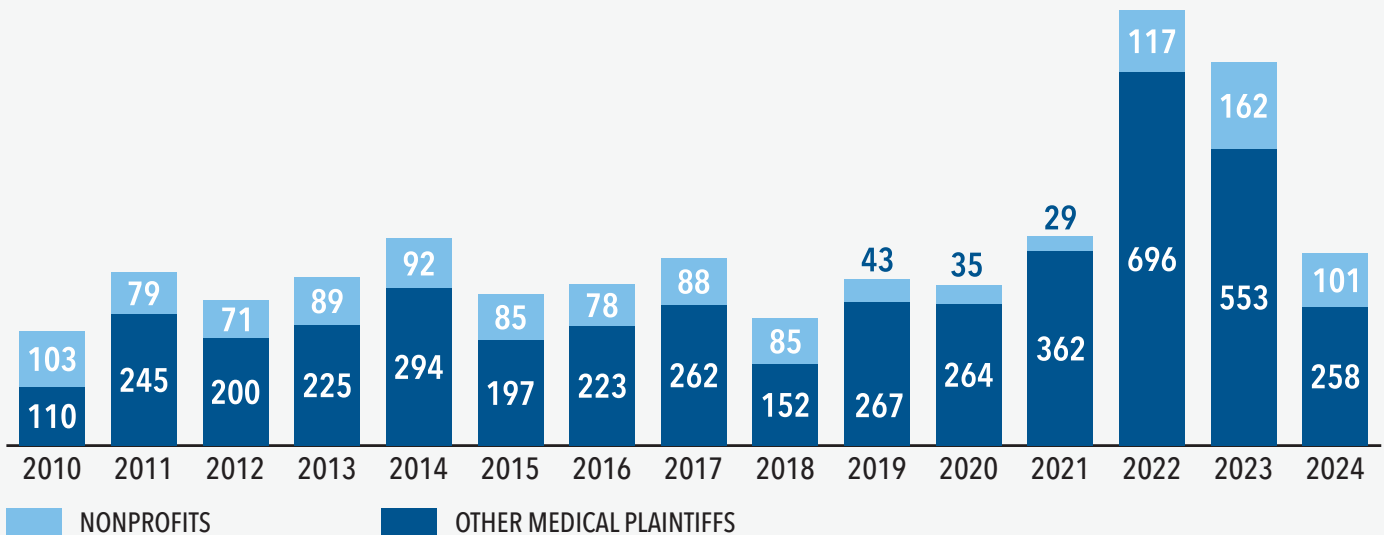


Figure 13: Hospitals and Medical Providers File Abstract of Judgments to Extend Debt or Place Liens on Homes, 2010-24



Source: Researchers' analysis of Virginia District and Circuit Court data from VirginiaCourtData.org.

Figure 14: Lawsuits Brought by Medical Specialties with High Volumes of Surprise Bills Decrease After No Surprises Act Took Effect in 2022

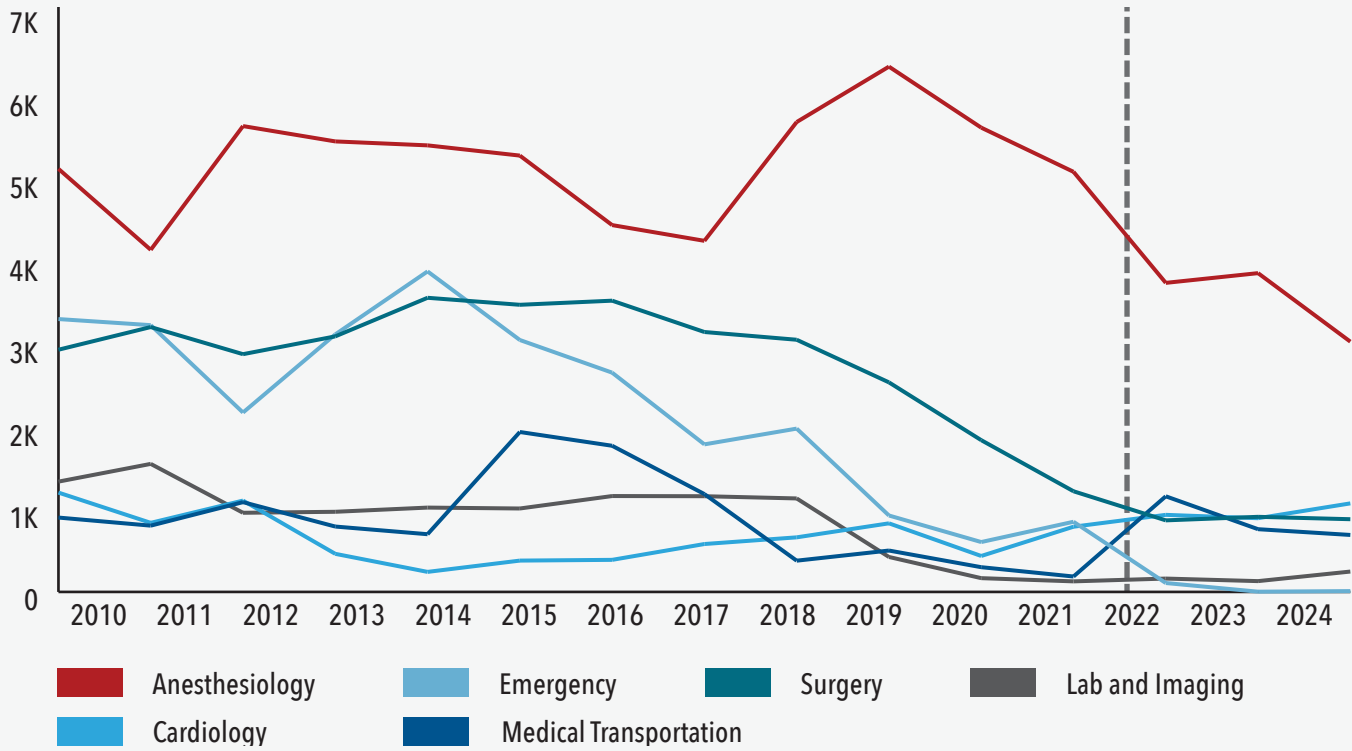
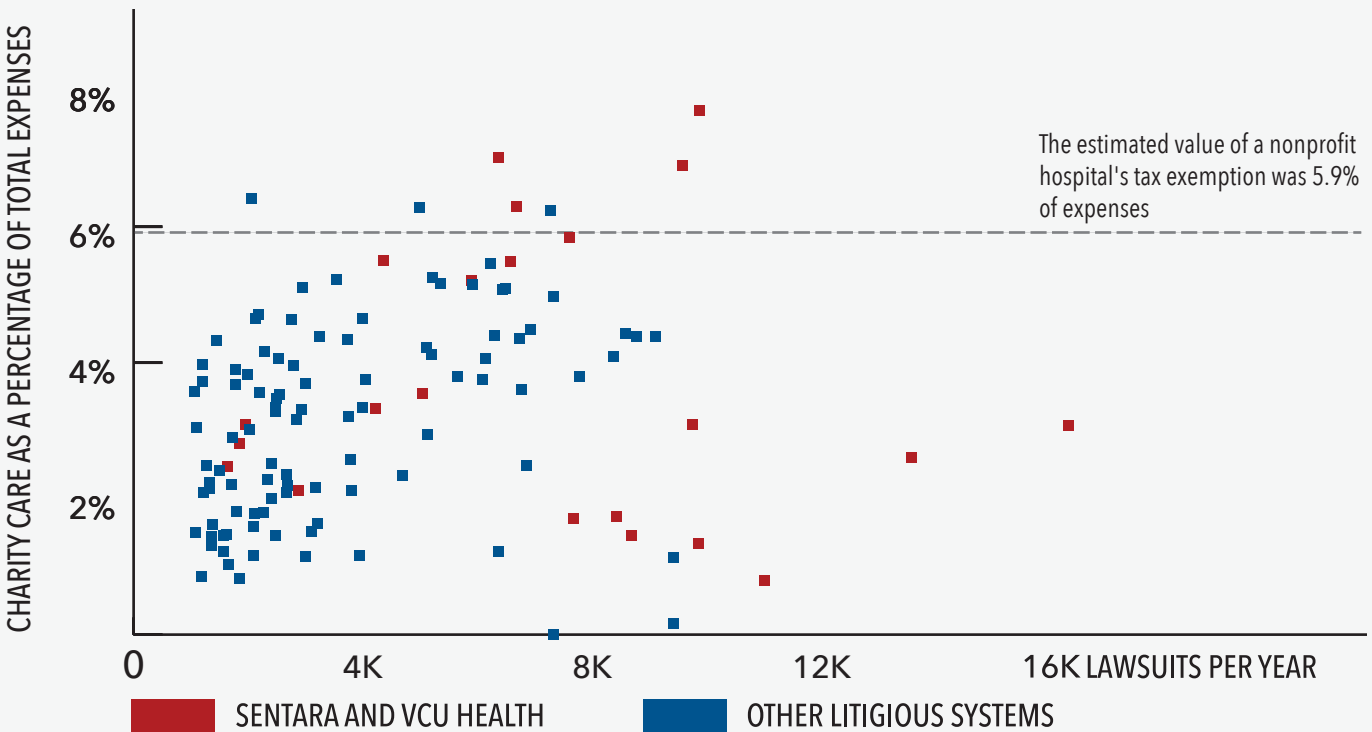
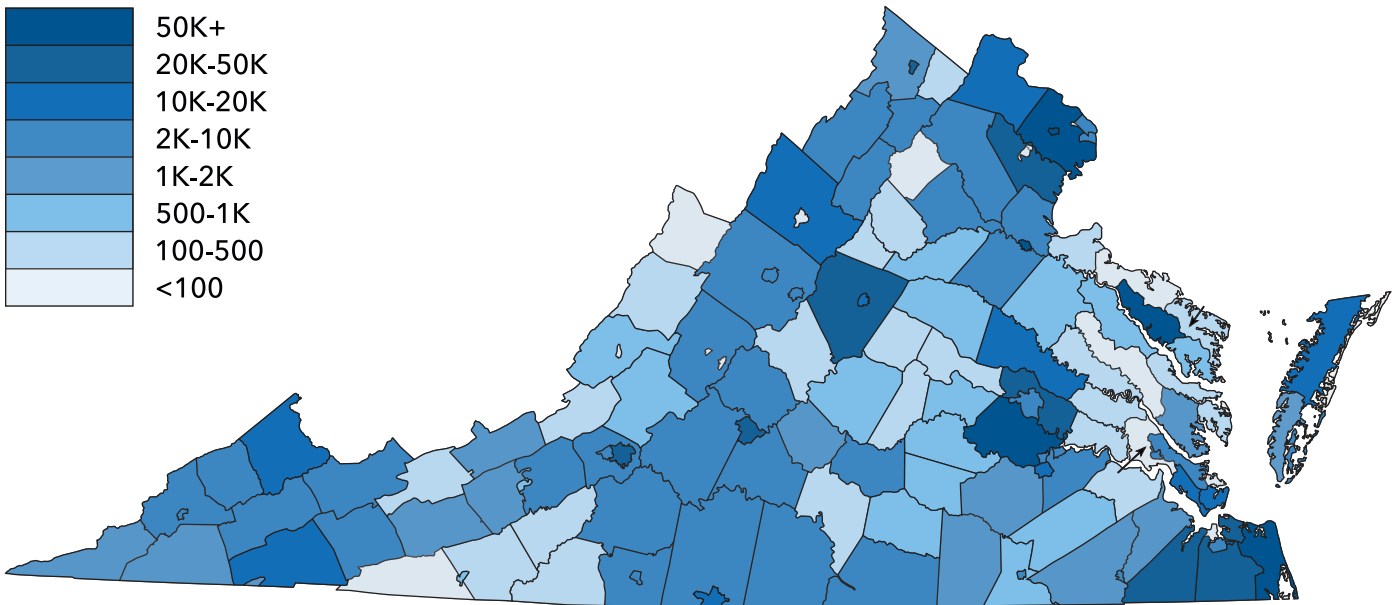


Figure 15: Hospital Charity Care Spending Versus Lawsuits Per Year Across the Two Most Litigious Systems in Virginia, 2011-23



This shows the yearly charity care spending for hospital systems that sued more than 1,000 patients per year and excludes three extreme charity care observations that appeared to be data anomalies. Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org, Medicare Cost Reports from the NASHP Hospital Cost Tool.

Figure 17: Virginia Medical Debt Collection Suits by City & County, 2010-24



Source: Researchers' analysis of Virginia District Court data from VirginiaCourtData.org.

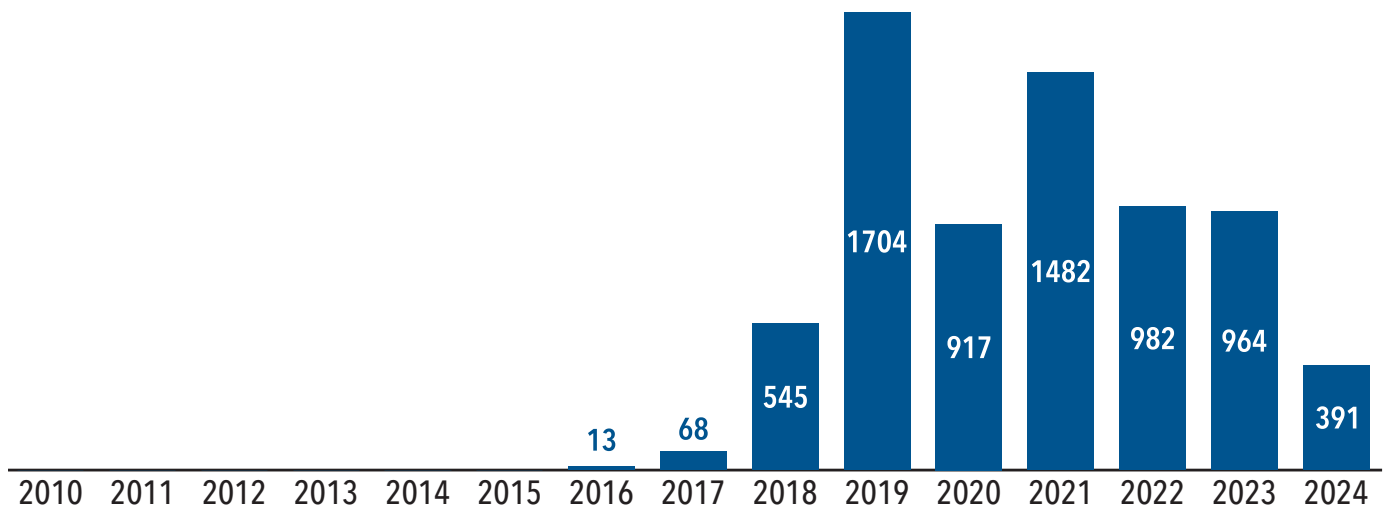
Private Equity Lawsuits Rise

Lawsuits filed by private equity firms that controlled Virginia hospitals and physician practices increased over time.¹⁵⁶ After identifying providers owned by private equity firms, we observe that private equity-backed medical providers filed a total of 2,867 lawsuits in Virginia during 2010-2024.¹⁵⁷ The vast majority of these occurred in recent years, as private equity investments rose in the health sector.

The Opacity of PE-Backing

We caution that our determinations of when a private equity firm controlled a physician practice is imperfect, relying chiefly on pitchbook and individual website inquiries, though this shortcoming is also evidence of the lack of transparency in private equity acquisitions, and that ownership status was largely hidden from patients.

Figure 18: Virginia Sees a Rise in Lawsuits and Garnishment Orders Filed by PE-Backed Medical Providers in District and Circuit Courts, 2010-24



Source: Researchers' analysis of Virginia District and Circuit Court data from VirginiaCourtData.org.

MEDICAL BILLING ERRORS

Over the past decade, several academic, government and journalistic reports have documented both widespread billing errors in the health sector and the significant financial and legal burdens those errors impose on patients.

Studies consistently find high rates of billing errors. A Consumer Financial Protection Bureau report identified inaccurate billing issues as a leading driver of medical debt complaints among elderly Americans navigating Medicare's complex billing system.¹⁵⁸ It reported that 53% of all debt collection complaints submitted to the Agency involved inaccurate Medicare billing.

A JAMA-published survey reported that nearly 20% of patients received a medical bill they believed was incorrect or unaffordable, and over 40% of patients who contacted billing offices were able to obtain corrections or price reductions.¹⁵⁹

And a consumer advocate report found that 63% of Americans reported receiving medical bills that cost more than they expected. It additionally found that 49% of claims submitted to Medicare contained billing errors, resulting in a 26.4% overpayment and thus concluded that beneficiaries were also being overcharged.¹⁶⁰

Failures in Charity Care

One source of erroneous billing has been widespread failures to properly apply charity care policies. An investigation by the North Carolina Treasurer revealed that the state's nonprofit hospitals in 2019 billed nearly \$150 million to low-income patients who were likely eligible for free or discounted care,¹⁶¹ and the Kaiser Family Foundation reported that nonprofit hospitals billed billions of dollars to patients who were not informed that they qualified for charity care.¹⁶²

Upcoding Drives Spending

Systemic overcharging through unsupported upcoding and inflated chargemaster prices is another source of erroneous billing. One study attributed two-thirds of spending increases in high-intensity care from 2011-2019 merely to strategic changes in coding behavior.¹⁶³ Another study reported that the number of hospital stays coded at the highest severity level increased almost 20% from 2014 through 2019 and accounted for almost half of all Medicare spending on inpatient hospital stays nationwide.¹⁶⁴ Many of these overcharges result in higher charges to Medicare beneficiaries who assume responsibility for cost-sharing.

Billing Inaccuracies & Litigation

Billing inaccuracies frequently surface in debt collection and litigation, with studies showing that upwards of 42% of civil court dockets were driven by consumer debt collection cases in 2021.¹⁶⁵ Examinations of hospital lawsuits against patients also found that a substantial number of defendants alleged incorrect bills, overcharges, and failures to apply charity care.¹⁶⁶ Consumer debt research demonstrates that medical debt collection suits, like most consumer debt collection, often proceed with minimal documentation and result in high default judgment rates, ultimately raising serious concerns about the accuracy of these debts enforced through the court system.¹⁶⁷

Household Debt & Accuracy

These error rates have coincided with the general rise in household debt. In 2016, it was estimated that nearly 30% of Americans have debt that was sent to a collection agency.¹⁶⁸ Before Americans suffer from costly collection efforts, hospitals and other claimants should be expected to file accurate bills.

MEDICAL DEBT REFORMS

On May 2, 2025, Governor Youngkin signed into law Virginia's Medical Debt Protection Act, which comes into effect July 1, 2026. The Act introduces certain patient protections from pervasive medical billing and aims to curb aggressive medical debt collection practices.

Interest and Late Fees

First, the Act reduces interest and late fees associated with medical debts. It eliminates all interest and fees for the first 90 days after a bill is due, and it thereafter caps interest at 3% annually, replacing the previous statutory allowance of 6% and prohibiting privately contracted higher interest rates, which were as high as 18%.

Extraordinary Collection Actions

Second, the Act prohibits certain extraordinary collection actions. The Act now prohibits courts from enforcing medical debt collections with arrests, home foreclosures, and property liens (before the bill's enactment, some debtors could be jailed for missing court dates or physically detained by law enforcement to compel a court appearance). The Act also limits wage garnishments for patients who qualify for a hospital's financial assistance policy.

Notice Requirements & Timelines

Third, the Act strengthens notice requirements on hospitals pursuing extraordinary collection actions. Collection actions cannot be commenced in court until 120 days after a final invoice was issued. And in cases where a hospital has sold its claim to a debt collector, the collector may only commence an action against a patient at or below 200% of the Federal Poverty Line 30 days after providing a written notice describing available financial assistance programs and a list of any extraordinary collection actions that may be initiated. If a patient does qualify for financial assistance, the debt would then be required to return to the original creditor.

Addressing Cycles of Debt

These reforms appear to address several of the harms identified in this report. Lowering the allowed interest and removing the harshest penalties will alleviate the burden of medical debt for many patients and reduce the likelihood that a collection action will initiate an inescapable cycle of debt. Strengthening notice requirements before legal proceedings commence, including alerting more patients to financial assistance policies, also could save some patients from unwarranted pain.

Compliance & Further Reforms

It remains to be seen whether the state sees widespread compliance with these new rules or whether providers replace the now-prohibited costly and extraordinary collection strategies with substitute efforts. Notably, the law does little to alleviate the price confusion and billing errors at the point of care that triggers much harmful debt collection. Hopefully, the state's attention to the harms of medical debt collection will be met with a commitment among the state's providers to recognize the systemic causes of medical debt and the harm such debt inflicts on patients.

THE POWER OF PUBLIC SCRUTINY

Public exposure of hospital collection practices has proven to be an effective tool in curtailing collection abuses. Investigative journalism and academic research have succeeded in both informing the public of hospitals' use of extraordinary collection methods and in curbing those abuses against patients. Notable examples that illustrate this power of public scrutiny include a 2019 investigation of the University of Virginia Health System, a 2019 report on Tennessee's Methodist Le Bonheur Healthcare System, and a 2023 study of North Carolina's Atrium Health System. These three examples highlight both the effectiveness of reporting on hospital debt collection practices and supply motivations for continued efforts to do so.

In March 2019, KFF Health News reported that the University of Virginia Health System (UVA) had filed nearly 36,000 lawsuits against patients over a six-year period that sought to collect more than \$100 million.¹⁶⁹ The report additionally found that the hospital's collection actions routinely added legal costs plus a 6% statutory interest to patients' debts, garnished wages, and placed liens on patients' property. Within days of the investigation's publication, UVA announced that it would suspend ongoing lawsuits and review its billing and collection practices.¹⁷⁰ The health system also expanded financial assistance eligibility to households earning up to 400% of the federal poverty level, reduced reliance on lawsuits, and ultimately moved to cancel tens of thousands of judgments and liens filed against patients.¹⁷¹

In June 2019, an investigation by ProPublica and a local Memphis newsroom MLK50 reported the debt-collection practices of the Methodist Le Bonheur Healthcare system. The reporting revealed that the nonprofit hospital system filed more than 8,300 debt collection lawsuits against patients between 2014 and 2018, many targeting low-income residents and their own employees.¹⁷² The in-

vestigations highlighted the hospital's heavy reliance on court judgments and wage garnishments to collect debts from patients who did not have the ability to pay. Shortly after publication, the hospital system announced sweeping changes to its collection policies and within months both filed "case satisfied" notices in court to cancel existing debts and halted new lawsuits.¹⁷³ Ultimately, the system erased medical debt for more than 6,500 patients and reduced or eliminated debts for roughly 7,500 individuals.¹⁷⁴

In 2023, scholars at Duke University examined hospital debt-collection litigation across North Carolina and found that the state's largest system, Atrium Health, had filed approximately 2,487 lawsuits against patients between 2017 and mid-2022, far more than any other hospital system in the state.¹⁷⁵ In September 2024, NBC News publicized the hospital system's collection practices, documenting patients who had liens placed on their homes and were burdened by significant court penalties after receiving medical care.¹⁷⁶ Shortly after the NBC News story aired, Atrium announced that it would stop suing patients for unpaid medical bills and remove lawsuits from its collection practices.¹⁷⁷ The system later announced it would cancel more than 11,000 property liens placed on patients' homes in connection with unpaid medical debts.

These accounts illustrate how principled journalism and thorough research can convince hospitals to reconsider their debt collection policies and retract collection actions against patients. They also demonstrate that public scrutiny and exposure can achieve policy gains when the legislative process is unresponsive to patients' needs and the community health priorities. It is important that academics and journalists continue their work on debt collection and sustain their efforts in bringing public accountability to the nation's healthcare providers.

Appendix: Top 30 Litigious Health Systems in Virginia, 2010-24

Ownership Top 30	District Court Cases	Judgment awarded to Plaintiff (%)	Dismissed (%)	Non-suit (%)	Judgments for Plaintiff Reporting Court Costs (%)	Total Reported Court Costs	Judgments for Plaintiff Reporting Attorney Fees (%)	Total Reported Attorney Fees	Total Principal Amount	Total Debt Burden	Cases Led to Garnishment Orders
Sentara Health	96.9K	55%	13%	23%	97%	\$3.0M	20%	\$2.7M	\$84.1M	\$89.9M	9,700
VCU Health	92.7K	85%	6%	3%	100%	\$4.5M	5%	\$350K	\$127.2M	\$132.1M	17,411
Inova Health	75.7K	57%	22%	11%	100%	\$2.6M	29%	\$620K	\$93.1M	\$96.4M	<20
UVA Health	62.5K	70%	21%	2%	30%	\$720K	46%	\$700K	\$78.2M	\$79.6M	23,196
Mary Washington Healthcare	57.0K	67%	2%	28%	100%	\$2.2M	13%	\$110K	\$109.8M	\$112.0M	13,611
Valley Health	44.6K	82%	3%	15%	100%	\$2.3M	20%	\$5.6M	\$91.4M	\$99.2M	16,509
Atlantic Anesthesia	41.7K	77%	12%	0%	97%	\$2.0M	9%	\$330K	\$63.7M	\$66.1M	12,893
Carilion Clinic	40.6K	76%	6%	16%	96%	\$1.8M	9%	\$920K	\$93.5M	\$96.2M	15,395
OrthoVirginia	34.1K	75%	19%	4%	100%	\$1.5M	95%	\$9.1M	\$38.0M	\$48.6M	14,088
Eastern Virginia Medical School	26.6K	73%	12%	3%	100%	\$1.1M	44%	\$1.7M	\$20.0M	\$22.8M	1,317
Community Health Systems	26.5K	85%	12%	2%	93%	\$1.2M	21%	\$1.1M	\$48.8M	\$51.0M	15,965
Ballad Health	26.3K	71%	16%	10%	99%	\$1.1M	30%	\$1.1M	\$38.2M	\$40.5M	10,139
Lifepoint Health	24.6K	85%	1%	10%	100%	\$1.1M	28%	\$2.5M	\$51.9M	\$55.5M	8,991
Chesapeake Regional Health	22.8K	77%	14%	6%	99%	\$1.0M	77%	\$10.2M	\$48.5M	\$59.7M	6,683
HCA Healthcare	19.9K	81%	14%	1%	100%	\$890K	73%	\$5.4M	\$34.6M	\$40.9M	9,832
Centra Health	18.3K	80%	9%	6%	97%	\$840K	2%	\$65K	\$36.3M	\$37.2M	5,614
Emergency Physicians of Tidewater	14.9K	62%	17%	8%	100%	\$520K	4%	\$54K	\$3.4M	\$3.9M	2,201

Ownership Top 30	District Court Cases	Judgment awarded to Plaintiff (%)	Dismissed (%)	Non-suit (%)	Judgments for Plaintiff Reporting Court Costs (%)	Total Reported Court Costs	Judgments for Plaintiff Reporting Attorney Fees (%)	Total Reported Attorney Fees	Total Principal Amount	Total Debt Burden	Cases Led to Garnishment Orders
Anesthesiology Consultants of VA	14.4K	69%	24%	3%	97%	\$560K	12%	\$7.5K	\$11.2M	\$11.8M	2,505
Buchanan General Hospital	13.4K	88%	4%	8%	98%	\$700K	16%	\$2.6M	\$38.2M	\$41.5M	2,024
Jefferson Surgical Clinic	8.0K	63%	32%	1%	100%	\$290K	20%	\$42	\$2.2M	\$2.5M	1,023
Virginia Urology Center	7.9K	76%	19%	2%	99%	\$360K	91%	\$2.1M	\$8.5M	\$11.0M	2,397
Augusta Health	7.8K	76%	12%	1%	95%	\$340K	2%	\$28K	\$11.7M	\$12.1M	1,319
Eastern Shore Rural Health	7.7K	88%	11%	0%	100%	\$510K	63%	\$750K	\$3.3M	\$4.6M	4,629
Riverside Health	6.9K	76%	16%	2%	100%	\$320K	4%	\$130K	\$13.9M	\$14.4M	2,082
GSI Gastroenterology Specialists	6.7K	66%	29%	1%	99%	\$270K	60%	\$700K	\$4.8M	\$5.8M	2,054
Bon Secours Health	6.3K	67%	27%	2%	99%	\$280K	10%	\$91K	\$8.7M	\$9.1M	1,933
Atlantic Orthopaedic Specialists	5.9K	65%	22%	3%	99%	\$220K	77%	\$660K	\$3.6M	\$4.4M	397
Medical Facilities of America	5.3K	61%	27%	3%	96%	\$170K	6%	\$180K	\$16.3M	\$16.6M	<20
Peninsula Emergency Physicians	5.1K	77%	4%	4%	100%	\$230K	97%	\$1.2M	\$3.7M	\$5.1M	2,427
Commonwealth Anesthesia Associates	4.7K	67%	24%	2%	95%	\$190K	4%	\$12K	\$4.2M	\$4.4M	398

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Analyzed hospitals included: Potomac Hospital Corporation of Prince William, Sentara Careplex and Sentara Port Warwick hospitals, Sentara Leigh Hospital, Sentara Martha Jefferson Hospital, Sentara Norfolk General Hospital, Sentara OBCI and Sentara BelleHarbour hospitals, Sentara Princess Anne Hospital, Sentara RMH Medical Center, Sentara Virginia Beach and Sentara Independence hospitals, Sentara Halifax Regional hospital, and Sentara Williamsburg Regional Medical Center. See: Sentara Health. "Estimating Hospital Charges: Standard Charges for Sentara Hospitals." Last updated April 1, 2024. Accessed February 2025. <https://www.sentara>.

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