WILLIAM & MARY
SCHROEDER CENTER
FOR HEALTH POLICY

POLICY BRIEF – JULY 2026

Medical Debt in Virginia: Toward a More Transparent and Affordable Future

EXECUTIVE SUMMARY

Medical debt remains a significant burden in the United States and Virginia. While national and state-level debt in collections has declined in recent years, this trend is expected to reverse due to federal policy shifts, including Medicaid cuts and the expiration of Affordable Care Act (ACA) subsidies. Virginia has implemented the Medical Debt Protection Act (2025) and other medical debt policies to reduce the consequences of debt, but further opportunities exist to stabilize coverage and protect patients from acquiring debt in the first place. Based on an analysis of state medical debt policies, we recommend 1) standardizing financial assistance forms, 2) increasing transparency around hospital collection policies, 3) standardizing and raising hospital financial assistance eligibility thresholds, and 4) forgiving existing medical debt.

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BACKGROUND: MEDICAL DEBT, PATTERNS, AND TRENDS

Medical debt refers to unpaid medical bills and the accumulated financial obligations incurred for medical services. The most common sources of medical debt are emergency room visits, visits with physicians, and childbirth-related care, but it also encompasses financial obligations related to medical devices and equipment, prescription drugs, provision of transportation to receive health care services, and other related costs.[1]

Table 1. Estimates of Medical Debt in the United States and Virginia, 2023

Source	Measure	National %	Virginia %
Survey of Income and Program Participation (2023)	Any medical bills not paid in full (adults)	10.4	9.7
Survey of Income and Program Participation (2023)	Any medical bills not paid in full (households)	16.4	15.5
Urban Institute Credit Bureau Panel (2023)	Medical debt in collections	5	6.2
Urban Institute Credit Bureau Panel (2022)	Medical debt in collections	11.6	13.8

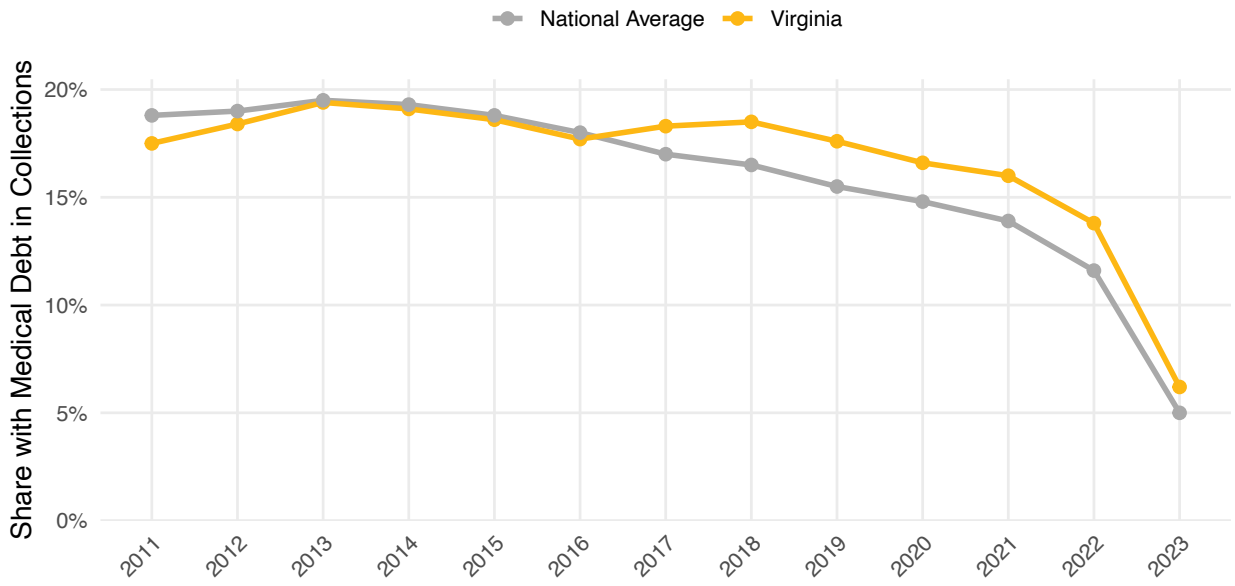
Estimates of the prevalence of medical debt vary depending on whether it is measured based on total amount owed, debt above a certain threshold, or obligations that have gone to collections. Roughly 10% of individuals and 16% of households have unpaid medical bills, according to the 2023 Survey of Income and Program Participation. Estimates for Virginia are just slightly lower, at 9.7% of individuals over 18 and 15.5% of households. The percentage of the population with medical debt in collections is lower, roughly 5% in 2023.[2] However, this lower number in part reflects changes made by three credit reporting companies in 2022 regarding how medical debt affects credit reports and data collection. Before that change, 11.6% of the national population had medical debt in collections, and the estimate for Virginia was slightly higher at 13.8%. According to a 2025 survey of Virginia adults, 24% of households had unpaid medical bills, with 37% of those with debt owing more than $500.[3]

The burden of medical debt is not evenly distributed and broadly reflects patterns of social and economic inequality in society. Income and health insurance status are primary

determinants of medical debt, with higher levels seen among those without insurance and with low levels of household income. Controlling for insurance differences, non-Hispanic Black Americans have higher levels of medical debt than other racial groups, and women are disproportionately burdened by medical debt relative to men. The share of adults holding medical debt is also 44% higher in non-metropolitan areas than in metropolitan areas.[4]

Over the past decade, the share of individuals with medical debt in collections on credit reports has declined, according to credit bureau data from the Urban Institute. Beginning around 2013, national medical debts in collections began to decrease, likely due to several factors, including the Affordable Care Act (ACA), state policies addressing medical debt and financial assistance, and changes in billing and collection practices.[5] From 2013 to 2023, national levels of medical debt in collections fell from 19.5% to 5%, reflecting both a downward trend in medical debt levels as well as a sharp drop after 2022 following changes in credit reporting practices that removed some debt from credit reports. Although the removal of debt from credit reports may not reflect actual reductions in debt, it is notable that medical debt had been declining annually even prior to those reporting changes (Figure 1). In Virginia, medical debt declined from 19.5% in 2013 to 13.8% in 2022.[6]

Figure 1. Share of Adults with Medical Debt in Collections



Source: Urban Institute Credit Bureau Panel (2024).

FUTURE TRENDS IN MEDICAL DEBT

Despite years of declines in medical debt levels on credit reports, recent federal policy changes point to expected increases in the coming years, driven by major policy changes affecting insurance coverage and federal-state regulatory dynamics.

Medicaid cuts and work requirements. New work requirements and eligibility restrictions are likely to reduce enrollment in Medicaid, causing millions to lose coverage and increasing out-of-pocket costs for medical care. More people will be directly exposed to healthcare costs, leading to higher rates of medical debt. Virginia is projected to lose $29 billion in Medicaid dollars due to 2025's H.R. 1 by 2034, resulting in an estimated 188,000 Virginians losing access to Medicaid coverage.[7]

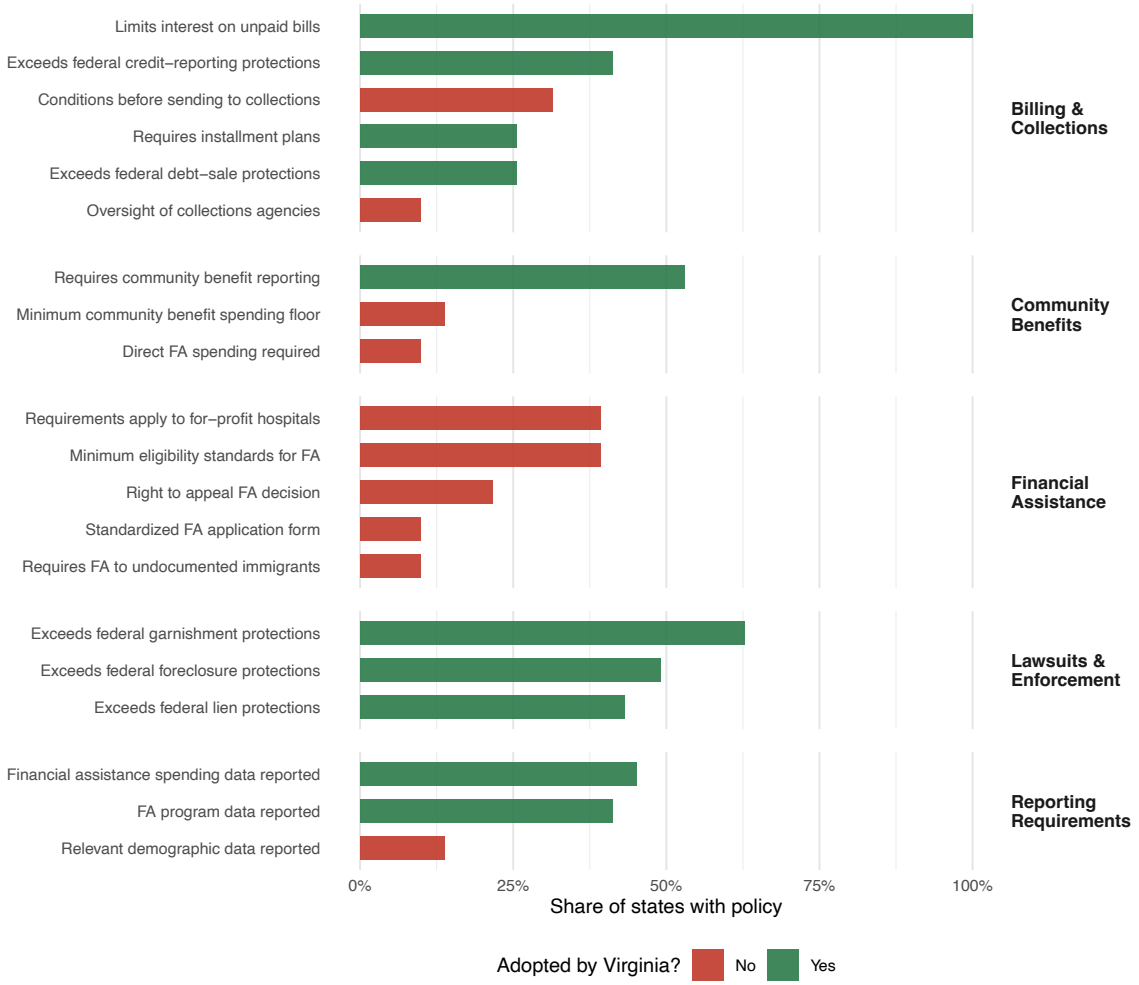
Changes to the ACA and other cost increases. Changes to the ACA marketplace are also expected to increase the financial burden of medical care. The expiration of enhanced subsidies is projected to raise premiums and deductibles, pushing individuals toward less generous plans. New verification requirements, and the end of automatic re-enrollment, may further reduce the continuity of coverage.[8] Higher deductibles and underinsurance may lead to individuals who already have health insurance to incur high costs, even if covered.

Federal pre-emption of state medical debt laws. Many states have passed legislation to address the drivers or consequences of medical debt (see more below). Federal pre-emption of state laws may limit states' abilities to mitigate medical debt through their own agencies. For example, in October 2025 the Consumer Financial Protection Bureau issued an interpretive rule that preempts policies that eliminate or restrict medical debt credit reporting in 19 states (including Virginia, Maryland, and North Carolina).[9] Restrictions on Medicaid funding pipelines further reduce states' flexibility to expand to stabilize coverage. As federal rules tighten, states may have less authority to implement consumer protections, such as medical debt caps or expanded state-level coverage programs. Although some states are experimenting with debt relief programs, these efforts may be harder to sustain under constrained federal funding environments.

STATE POLICIES AND HOW VIRGINIA COMPARES

Given the increased risks for medical debt and lack of recent policy at the federal level, state efforts to address medical debt will likely become more important in the coming years. States have taken a number of varying approaches to both preventing medical debt and addressing its consequences. Broadly, state policies can be grouped into, 1) policies that prevent debt through financial assistance programs and community benefit

Figure 2. State Adoption of Medical Debt Protection Policies



Source: Commonwealth Fund State Tracking of Hospital Medical Debt Protections (Oct 2025)
Note: Virginia does not set minimum standards for hospital financial assistance, but hospitals are required to provide charity care as a condition of receiving a certificate of public need.

requirements, 2) policies that regulate billing and collection practices, and 3) policies that address the legal and financial processes for dealing with debt after it is incurred.

Virginia compares favorably in the latter category, with a focus on limiting the consequences of incurred debt (Figure 2), in part thanks to the Virginia's Medical Debt Protection Act (2025), which included provisions capping interest/late fees at 3% annually and prohibiting aggressive collection and actions such as foreclosures. Other recent policies include: H.B. 34, a bill prohibiting medical debt collection after three years (2024), and H.B. 1370, the Medical Debt Protection Law, which prohibits medical providers and debt collectors from reporting medical debt to credit agencies (2024).

Virginia compares less favorably to leading states when it comes to preventing debt accumulation through policies related to financial assistance and billing practices. Although the federal tax code requires nonprofit hospitals to address medical debt and financial assistance, 21 states have passed requirements that exceed federal standards. Virginia law requires hospitals to screen uninsured patients for financial assistance eligibility, but this does not extend to patients with insurance who have limited ability to pay. Moreover, variability in access to financial assistance between hospitals leaves variation across the state.

POLICY RECOMMENDATIONS

Our policy recommendations are based on analyses of three medical debt policy databases—from the Commonwealth Institute,[10] the Medical Debt Policy Scorecard,[11] and the Lown Institute[12]—and county- and state-level regression analyses of the associations between debt levels and policies. Based on our assessment of Virginia's existing strengths and weaknesses, we recommend four general actions that can be taken to address medical debt in Virginia, presented roughly in order of ease of implementation:

Standardize and Translate Financial Assistance Forms. Based on our review of application forms for financial assistance across Virginia hospitals, there is variation in the length, content, language availability, and accessibility of the forms patients must submit to obtain financial assistance. Some states, such as Maryland and New York, have developed a standard application form used across hospitals. This is a relatively easy-to-implement policy that could reduce administrative burden and ensure more equitable access to financial assistance across the state. This can be further streamlined by automatically enrolling some patients based on already-documented participation in Medicaid or other assistance programs.

Standardize and Disclose Billing and Debt Collection Policies. Virginia's Medical Debt Protection Act primarily regulates "extraordinary collection actions," but it does not establish uniform standards for billing transparency, early-stage collection practices, or repayment plan affordability. The state could strengthen consumer protection by standardizing billing statement formats, requiring disclosure of collection policies earlier in the billing process, and establishing income-based guidelines for repayment plans to ensure consistent affordability across providers.

Standardize and Raise Financial Assistance Thresholds. Many hospitals in Virginia offer free or discounted care based on income, but income thresholds vary, ranging from 100% to 400% of the federal poverty line. Although existing policies require assistance for uninsured patients, Virginia could follow other states in establishing income-based

thresholds for requiring hospitals to offer free and discounted care to patients, regardless of insurance status.

Forgive existing medical debt. Several states, municipalities, and other entities have purchased and forgiven existing medical debt in recent years. Arizona and New Jersey partnered with a nonprofit organization, Undue Medical Debt, which purchases and forgives discounted bundled medical debt. North Carolina leveraged enhanced hospital payments to forgive and prevent medical debt. Although this action alone does not address long term debt accumulation, it can provide relief for the households currently struggling with medical debt in Virginia.

CONCLUSION

The burden of medical debt is likely to increase due to the current federal policy climate and health care affordability crisis. While the state of Virginia has made progress in shielding patients from the most severe consequences of already-acquired medical debt, stronger policies are needed to prevent medical debt in the first place. Any efforts toward making healthcare more affordable—including reducing barriers to Medicaid access—will contribute to this goal. However, our analysis of policies directly related to medical debt suggests making financial assistance policies more transparent, accessible, and standardized would bring Virginia more in line with the states leading the way in efforts to reduce medical debt in the United States.

ABOUT THE SCHROEDER CENTER

The Schroeder Center for Health Policy at William & Mary was established in 2003 for the purpose of informing and educating current and future decision makers on a broad array of public policies related to healthcare and population health. The Schroeder Center regularly provides funding and support for W&M students to work directly with faculty conducting research related to health and health policy. For more information, visit www.wm.edu/schroeder.

METHODS AND SOURCES

This policy brief draws on multiple data sources and analytical approaches to assess the landscape of medical debt policy and how Virginia compares to national trends and regional peers. The research informing this policy brief was conducted by the three student authors and built upon earlier work by fellow W&M students Yvonne Boadi '25, Imani Lee '25, Sofia Calderon '25, and Amelia Raffel '27. For a full description of the methods and sources used, please see the "Medical Debt in Virginia: Methods and Sources" supplement available at www.wm.edu/as/publicpolicy/schroedercenter/medicaldebt.

NOTES

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[3] See "Virginia Survey Respondents Receive Unexpected Medical Bills and Incur Medical Debt; Express Bipartisan Support for Government Action," by the Healthcare Value Hub: https://healthcarevaluehub.org/wp-content/uploads/2025-Virginia-CHESS-Medical-Debt-SMB-Brief.pdf
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[11] See "Medical Debt Policy Scorecard," https://medicaldebtpolicyscorecard.org/
[12] Lown Institute Hospitals Index."Hospital financial assistance and collections policies." https://lownhospitalsindex.org/report-hospital-financial-assistance-and-debt-collection-policies/.