

A new report alleges that medical debt isn't just a by-product of high health care costs, but also the result of a system that can frequently turn unclear prices into enforceable payment obligations.

The analysis comes following a sweeping review of court records and hospital pricing data in Virginia by researchers at George Washington University Law School, Stanford University's Clinical Excellence Research Center and PatientsRightsAdvocate.org, a nonprofit group that advocates for hospital price transparency measures.

Here's how they say it works: Hospitals with opaque pricing practices hit patients — who sometimes have insufficient health insurance coverage — with large medical bills and hidden fees, giving them little ability to verify the charges. At one health system in Virginia, the same procedure came with a 77-fold variance in price depending on location and insurance coverage.

Researchers said the system is backed by a cottage industry of lawyers who aggressively pursue medical debt, employers and banks that garnish patients' income, and courts that routinely issue judgments, without fully reviewing the validity of the charges.

Barak Richman, one of the report's authors and the co-director of the Health Law Program at George Washington University Law School, describes the systemic problem as “an economic vortex.”

Providers in Virginia filed more than 1 million lawsuits to collect \$1.4 billion from patients between from 2010 to 2024, accounting for more than a quarter of all debt collection cases in the state during that period.

→ What to watch: Patients in Virginia will have more protections to curtail aggressive medical debt collection beginning this July thanks to a law enacted in 2025 that caps interest rates on medical debt and late fees, limits wage garnishments for certain low-income patients, and gives patients a longer timeline before providers can sue over unpaid medical bills, among other reforms.

Julian Walker, a spokesperson for the Virginia Hospital & Healthcare Association, said that Virginia hospitals have “supported these patient-focused reforms” — in addition to other laws enacted over the last decade that require hospitals and insurers to be more transparent about pricing and limit surprise medical bills for patients.

“Virginia hospitals have a well-documented record of making significant investments in expanding access to care and providing free and discounted care to low-income individuals across the Commonwealth,” Walker said in an email. The data, he said, undercuts many of the assertions made in the report.

In 2024, Virginia hospitals provided \$457 million in financial assistance or charity care for patients and \$428 million in “bad debt expense,” or write-offs due to nonpayment, in addition to other expenses reported as providing a “community benefit.”

SOME OF THE REPORT’S FINDINGS:

Nonprofit hospitals are most litigious: Nearly 53 percent of the lawsuits were filed by nonprofit hospitals. The report found that, of the nonprofit hospital systems suing more than 1,000 patients each year, about 44 percent spent less than 3 percent on charity care from 2011 to 2023.

Two hospital systems — Sentara Health and VCU Health — filed nearly 190,000 lawsuits between 2010 and 2024, or about 16.5 percent of the overall total.

Sentara Health, the largest health system in Virginia, and which had also been cited in the report as the most litigious provider, questioned the report’s “ability to accurately reflect Sentara’s billing practices or our efforts to care for the communities we serve,” said Mike Kafka, a Sentara spokesperson. He said the health system provides financial assistance discounts or free care to patients based on financial need.

While the report took issue with some of Sentara’s pricing disclosure files, Kafka also said Sentara Health is fully compliant with federal laws related to price transparency — in addition to having its own cost estimator for patients to calculate the price of various services.

“Sentara does not charge interest on payment plans, nor do we garnish wages, seize savings, or foreclose on property,” Kafka said in an emailed statement. “Our goal is to support patients during difficult times — not add financial strain.”

VCU Health didn’t comment.

The legal machinery is vast: Researchers found that the lawsuits chasing medical debt payments generated nearly \$46 million in court costs and \$87 million in attorney's fees. Nearly 404,000 resulted in wage and bank garnishments between 2010 to 2024, most often hitting workers at lower-income jobs.

It's become a cottage industry among law firms: Just 20 law firms filed over half the cases, meaning that each initiated an average of nearly 40,000 suits per year, according to the analysis. Some firms would market "aggressive" tactics that skip any outreach to patients and move straight to court.

The report notes how many Virginia providers have stopped or dramatically reduced how much they pursue medical debt lawsuits following reporting by KFF Health News in 2019 that highlighted the problem in one local health system.

In response to the reporting, the University of Virginia Health System said in 2019 that it would "reduce our reliance on the legal system." In 2021, it said it would wipe out a massive backlog of lawsuits.

The new report on medical debt found UVA Health had indeed stopped suing patients.

→ But the analysis says that it's still an ongoing problem among other providers, and its authors point out that its findings mirror issues in other states.

SYSTEMIC ISSUES

"We focus on Virginia, but each state has its own medical debt ecosystem with its own characters," the report reads. "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, 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," the authors write.

Cynthia Fisher, a wealthy life sciences entrepreneur and the founder of PatientRightsAdvocate.org, said the findings of the report should be used to encourage Congress to pass a bipartisan bill called the Patients Deserve Price Tags Act that would bolster existing price transparency disclosure requirements.

A nationwide problem: Medical debt impacts millions of Americans nationwide. Federal researchers found that 36 percent of households in the United States had medical debt and 21 percent had a past-due medical bill in 2024.

Just 15 percent of people reported that someone other than their medical provider had contacted them about collecting payment on medical debt, according to the research, which was published by the Consumer Financial Protection Bureau.

Hospital and health industry groups have for years pushed back on analysis from PatientRightsAdvocate.org. They argue that the group uses inaccurate criteria to overstate the number of hospitals out of compliance with federal price transparency rules.