Banking and Finance Law Daily Wrap Up, DEBT COLLECTION—CFPB issues report examining medical debt, (Mar. 2, 2022)

Banking and Finance Law Daily Wrap Up

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The report indicates that the billing, payments, collections, and credit reporting infrastructure of the U.S. healthcare system is prone to mistakes which are difficult for patients to correct or resolve.

The Consumer Financial Protection Bureau announced the release of a report on the medical billing system that summarizes and highlights key areas of concern in medical debt collections and reporting. The report, "Medical Debt Burden in the United States," provides an overview of the medical debt landscape, and discusses the negative consequences of medical debt for consumers, the impact of the COVID-19 pandemic on medical debt, and federal and state regulatory developments.

The report found that:

- roughly 43 million people had medical bills on their credit report in June 2021, with the total outstanding amount around $88 billion;
- while most medical debt collection tradelines on consumer credit reports are under $500, many people with medical debt have multiple medical collection tradelines;
- as of 2021, 58 percent of the debt that is in collections and on people's credit records stems from medical bills;
- past-due medical debt reported to consumer reporting companies can appear on a person's credit reports and lower their credit scores, and reduce their access to credit;
- medical debt collections are less predictive of future payment problems than other debt collections;
- Black and Hispanic people, and young adults and low-income individuals of all races and ethnicities, are more likely to have medical debt than the national average and, therefore, may be more heavily impacted by outdated credit models that overestimate the predictiveness of medical debt; and
- medical bill amounts can be unpredictable and often vary widely based on patient and provider characteristics, with uninsured and out-of-network patients often being charged amounts that are much higher than what in-network insurers pay, and markups being especially high for emergency care.

CFPB Director Rohit Chopra said in prepared remarks that "it's hard to call medical debt a real debt" since "[f]ew people choose to take on medical debt, and typically, patients have no idea how much they will be charged for a service or a procedure." He further pointed out that "[t]here's no upfront disclosure or interest rate to compare" and "[i]ndividuals and families must confront a billing and collections system that can be best described as error-plagued, confusing, and labyrinthine."

Chopra said that Bureau will be taking the following actions in the wake of the report:

- closely scrutinizing the Big Three credit reporting agencies to ensure that they are not being used as a tool to coerce and extort patients on medical bills they may not even owe;
- working with other government agencies, such as the Department of Veteran's Affairs, to determine whether it is appropriate to include medical debt in their own underwriting and role in credit reporting, and partnering with the Department of Health and Human Services to ensure patients are not charged and do not pay illegal surcharges for medical care; and
- assessing whether it is appropriate for unpaid medical billing data to be included on credit reports altogether.

RegulatoryActivity: CFPB ConsumerCredit Covid19 DebtCollection EqualCreditOpportunity FairCreditReporting

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