Medical Debt and Medical Debt Credit Reporting FAQs

1. Do consumers benefit by not reporting medical debt under $500?

No. There are several negative unintended consequences of not allowing medical debt under $500 to be credit reported. There is also a false narrative that this does not impact medical providers. Perhaps some of the largest health care providers—who have vastly different economic models than your local doctor, dentist, mental health, and other practitioners—will not be impacted. Credit reporting agencies and the Consumer Financial Protection Bureau may have consulted with some of the largest hospitals, but have not provided any analysis or evidence that this does not impact small local health providers. ACA International members have heard from some of their clients, including some large hospitals, that they will be harmed. Trade associations representing the financial side of medical providers have also indicated this will absolutely impact their ability to provide services.

2. Do consumers benefit when medical debt credit reporting is delayed from 180 days to 365 days?

No. Unfortunately, lengthening the time for payment beyond 180 days actually increases the chance for harm and for additional costs to be incurred by consumers. Many consumers who do not respond to regular collection attempts, such as calls and letters, find out about their debt from seeing it on their credit report. Learning about a financial obligation on a credit report, which is free to obtain, may be the first time it clicks for a consumer that they really need to address this issue with their insurance company, and must take action to avoid future litigation. Delaying the debt does not make it go away, and it will still be legally owed by consumers after the elongated process plays out.

Contracts between medical providers and insurance companies often require that if they do not hear about a claim within six months from the date of service, the insurance company doesn't have to pay that bill. That is why industry groups, including ACA, health care providers and consumer groups, agreed to a best practice of credit reporting at 120 days. Moving the goalpost to 365 days, and potentially keeping consumers in the dark about their obligations, will remove the option to make insurers pay. After a year, there is no legal obligation for insurance companies to pay the claim.

If the consumer cannot pay and the insurance company will not pay, then the medical provider will need to find a way to pass that cost on to everyone else and/or eliminate service offerings.

3. I heard that most of the debt under $500 is not actually owed and may be illegitimate or phantom debt. Is that true?

That would very rarely be the case. The Fair Credit Reporting Act (FCRA) and the Fair Debt Collection Practices Act (FDCPA), as well as other consumer protection laws, have extensive mechanisms in place to ensure credit reporting accuracy. The No Surprises Act was also just put in place in the Consolidated Appropriations Act to address surprise bills at the front-end of the process and nonpayment from insurance companies. If, for some reason, debt that should have been paid by an insurance company makes it to a credit report, it is in a consumer's best interest to learn about this as soon as possible and address it with an insurance company. However, the vast majority of debt that makes it on a credit report is unpaid debt that is legitimately owed to a medical provider.

Anyone collecting on phantom debt would be an illegal actor, not a member of the debt collection industry. The CFPB, Federal Trade Commission, state and other federal regulators already have very broad authority to go after any illegal fraudster and ACA strongly supports that. However, there are many guardrails already in place for legitimate debt collectors to ensure they are complying with the FDCPA and FCRA and are reporting debt accurately to credit bureaus. If they were not, they would not only be subject to potential litigation but also would lose clients and credibility to maintain their business.