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PULSE

# Measuring the Impact of the Government's Focus on Medical Debt and Credit Reporting

*By Leah Dempsey*

Last month, the White House announced plans to focus on medical debt, after months of discussion about it in Washington, D.C..

The White House urges the Department of Health and Human Services (HHS) to "evaluate how providers' billing practices impact access and affordability of care and the accrual of medical debt." It warns that HHS will request data from more than 2,000 providers on medical bill collection practices, lawsuits against patients, financial assistance, financial product offerings, and third party contracting or debt buying practices.

The announcement also states that the Biden-Harris administration plans to provide guidance to all agencies to eliminate medical debt as a factor for underwriting in credit programs, "whenever possible and consistent with law."

The announcement argues, without any supports, that medical debt is not a reliable indicator of credit quality and does not address the significant benefits of free and/or reduced cost health care for consumers if they go to nonprofit providers and the health care education issued related to that.

The Kaiser Family Foundation showed that in 2019, 28.9% of the American population was under 200% of the Federal Poverty Level (FPL) and another 29.6% were between 200% and 400% of the FPL. Most nonprofit health care providers offer completely free health care for consumers below 200% and significant discounts below 400%.

Education about these opportunities is critical, but discussion about early intervention for educating consumers has been absent from the policy debate.

It also states, without explaining under what authority, that the Office of Management and Budget will be issuing new guidance to agencies to eliminate medical debt as a factor for underwriting in credit programs, or reduce its impact.

Absent from the White House's press release is any discussion about what impact limiting credit reporting might have on medical providers or other unintended consequences that could result, such as more upfront cash payment requirements for medical care.

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### CFPB Activity Related to Medical Debt

In early February, the CFPB released a bulletin and questions and answers related to the No Surprises Act.

The bulletin states that it is a general statement of policy exempt from the notice and comment rulemaking requirements of the Administrative Procedure Act.

However, it appears to create new expectations for the debt collection industry to have policies and procedures to identify insurance claim-related issues and increased coordination with hospitals and medical providers.

### CFPB Research Released

In early March, the CFPB released research on medical debt and also held a virtual panel discussion on medical billing and collection practices with Director Rohit Chopra, U.S. Sen. Jon Ossoff, D-Ga., and consumer advocates in Georgia. The panel did not include any perspective from the debt collection industry, credit reporting, or health care provider industry.

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The CFPB included the following key findings, among others in the report:

- CFPB research shows $88 billion in medical debt on consumer credit records as of June 2021. The total amount of medical debt in collections in the U.S. is likely higher, since not all medical debts in collections are furnished to credit reporting companies.
- Medical bill amounts can be unpredictable and often vary widely based on patient and provider characteristics. Uninsured and out-of-network patients are often charged prices that are much higher than what in-network insurers pay—even though the uninsured may have little ability to pay. The prices charged to uninsured and out-of-network patients sometimes significantly exceed providers' costs. Markups are especially high for emergency care, and for-profit investor-owned hospitals charge higher average markups.

The debt collection industry disputed the accuracy of the report, questioning the validity of the data. It also criticized the lack of focus on solving policy issues on the front-end of the process of receiving medical care.

**Credit Reporting Agency Actions**

On March 18, the three nationwide credit reporting agencies (CRAs), Equifax, Experian, and TransUnion, made major changes to policies for medical debt credit reporting. Starting July 1, 2022, paid medical collection debt will no longer be included on consumer credit reports. Additionally, the amount of time before unpaid medical collection debt would appear on a consumer's report will be increased from six months to one year. The CRAs will also no longer include medical collection debt under at least $500 on credit reports. ACA International outlined significant concerns with this practice in a letter to the credit reporting agencies.

It is expected that this action will force a significant number of Americans to lose the benefit of their insurance if they miss timelines for seeking insurance coverage. There is a portion of the population that does not respond to letters or calls about their medical bills and now will not be aware of their financial obligations and associated timelines until it is too late.

It is also concerning that medical providers are being treated differently than other businesses. For example, plumbers, attorneys and other professionals who Americans also incur unplanned expenses with are still allowed to use the credit reporting system to collect their debts, but medical providers are not. It is not clear how medical providers will be expected to absorb unpaid bills and why this burden will be placed on their shoulders.

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# Younger Americans Face More Medical Debt

## Recent study reveals that medical debt impacted credit scores and spending habits for Gen Z and millennial Americans, while lower-income adults had more experience with debt collectors than their wealthier counterparts.

A quarter of Gen Z and millennial Americans reported skipping rent or mortgage payments due to medical debt, according to a survey conducted by healthcare.com.

The responses were gathered from an online poll administered between Oct. 29, 2021, and Nov. 1, 2021, from 2,800 people 18 years or older across the country.

The study also found that in addition to ignoring housing finances, Americans skipped purchases due to medical debt. More than half of Generation Z adults (53%), 44% of Generation X adults and 40% of baby boomers said that medical debt prevented them from spending money on traveling. Home improvement was the top area that millennials missed out on due to medical debt, and around half of millennials and Gen Z adults also said that their medical debt hurt their credit score.

While respondents from all generations expressed concern about medical debt affecting their ability to save money, millennials were the most likely to say they were somewhat or extremely concerned (67%).

People from different generations had different strategies for dealing with medical debt. For example, 22% of baby boomers planned to withdraw funds from their retirement accounts, whereas 22% of Gen Zers planned to use crowdfunding.

Men and women reported that they pay their health care expenses differently across generations as well, with men being more likely to use crowdfunding, credit cards and retirement funds. Men were also more inclined than women to

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# NEWS & NOTES

## HHS to Revoke Health Care Worker 'Conscience' Rule

The U.S. Department of Health and Human Services (HHS) is planning to change a "conscience" rule, enacted during the Trump administration, that allows health care workers to refuse service that conflicts with their moral or religious beliefs, [according to a report from *Politico*.]

The "conscience" rule was finalized in 2019, but it was never enforced due to federal court challenges. It would have permitted health care personnel to refuse services like abortions, gender-affirming care and contraception if they didn't agree with it ethically or religiously.

"HHS has made clear through the unified regulatory agenda that we are in the rulemaking process," a representative for the department told *Politico*.

## Several States Targeting Rising Hospital Prices

Several states, including Indiana, Massachussetts and California, are turning their efforts toward rising hospital prices around the U.S., [according to an article from *Becker's Hospital Review*.]

In a December 2021 letter, Indiana legislators told health care organizations that if they did not provide a plan to bring Indiana's health care costs down to the national average, they would "pursue legislation to statutorily cut rates."

In California, Gov. Gavin Newsom recommended the creation of the Office of Health Care Affordability to address the state's growing health care expenses. The office's mission would be to control expenditures set by hospitals, doctors' offices and payers. The governor and the California General Assembly would nominate eight people to a board that would oversee the state's finances and set cost targets.

## Read More

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**Younger Americans** cont. from page 2

strive to reduce their debt.

The causes for medical-related debt varied among the different generations, with 68% of Gen Zers with health insurance indicating that their plan did not cover the treatments they obtained, whether in-network or out-of-network. In comparison, just around half of the other generations reflected this concern.

Nearly a third of Gen Zers and 27% of millennials reported their medical debt is the consequence of a billing error, whereas Gen Xers (21%) and baby boomers (20%) are less inclined to believe this.

Additionally, the survey discovered that different medical conditions resulted in different health care expenses for different age groups. For Gen Z and millennials, the most common cause of medical debt was seeking treatment following an accident or injury. In contrast, chronic sickness, such as cancer and heart disease, was the leading cause of medical debt among Gen X adults and baby boomers. Individuals with lower income, unsurprisingly, reported they struggled more with medical debt. Participants from all income categories said their paycheck was their primary source of funding for paying off medical expenses.

One out of every five Americans earning between $10,000 and $25,000 each year said their debt causes extreme stress, according to the study. The study also revealed that 60% of adults with incomes under $10,000 and 52% of adults with incomes between $10,000 and $24,999 have had their invoices forwarded to debt collectors.

The survey findings suggest that younger generations, in particular, face substantial challenges in terms of health care expenses and medical debt. According to previous data from Discover Personal Loans, approximately 75% of Americans have medical debt of more than $2,000, as *Pulse* previously reported.

Although the issue of medical debt among all generations continues to persist, the study suggests that policymakers and health care stakeholders may be able to help alleviate the financial burden of medical expenses.

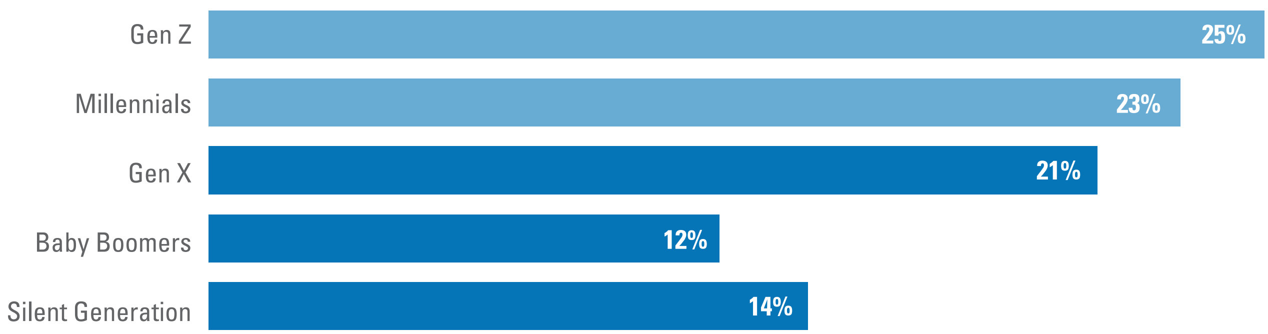
*Read the full report here. See stats from the report on page 4 in Data Watch.*

# DATAWATCH

## Younger Americans Face More Challenges from Medical Debt

A study from healthcare.com revealed that medical debt impacted credit scores and spending habits for Gen Z and millennial Americans, while lower-income adults had more experience with debt collectors than their wealthier counterparts. Out of a poll of 2,800 people aged 18 and up across the country administered at the end of 2021, the study found that a quarter of Gen Z and millennial Americans reported skipping rent or mortgage payments due to medical debt. Additionally, the study found that more than half of Gen Z adults (53%), 44% of Gen X adults, and 40% of baby boomers said that medical debt prevented them from spending money on household expenses and travel, in addition to reported higher levels of stress due to the debt.

Skipped rent or mortgage payments because of medical debt:




***Source: healthcare.com*** https://bit.ly/3L50EYl

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