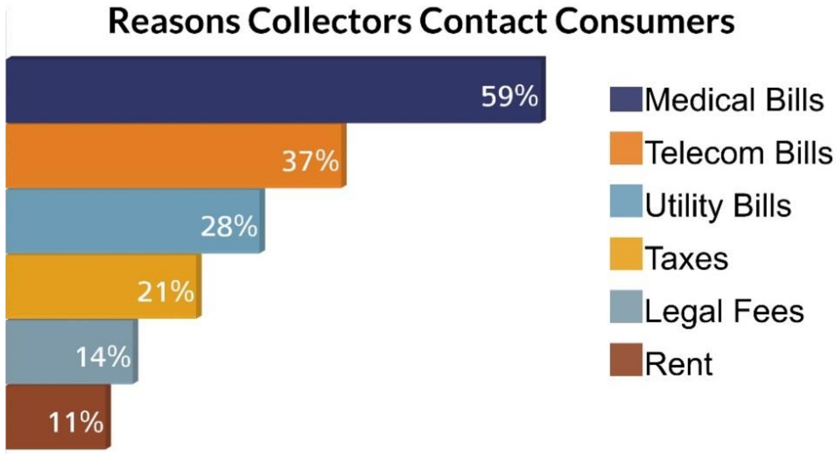
Medical Debt Collection

A strong rule from the Consumer Financial Protection Bureau (CFPB) is needed to protect consumers from abusive debt collection tactics, especially those carried out by collectors of medical debt—the leading source of debt borne by most consumers.

Medical debt is the top reason consumers are contacted by debt collectors. According to the CFPB, 59% of consumers contacted about a debt reported receiving calls and letters regarding a medical debt in collections. Many consumers were contacted about more than one type of debt.



More Americans fear medical debt than serious illness. A survey by the West Health Institute and NORC at the University of Chicago found that 4 in 10 respondents fear the costs associated with a serious illness, more than those who say they fear a serious illness itself.

Medical debt collection blemishes the credit reports of one in five consumers. A separate CFPB study found that 19% of adults have one or more collections tradelines originating from a medical service provider on their credit report. Medical debts accounted for 52% of all collection items on consumers' credit reports.

Medical debt is a leading cause of U.S. bankruptcies. In a survey of randomly sampled bankruptcy filers from 2013-2016 published in the American Journal of Public Health, 59% of respondents very much agreed or somewhat agreed that medical debt was a contributor to their bankruptcy. In 2013, NerdWallet Health estimated medical debt was the biggest cause of bankruptcies—ahead of credit card bills and unpaid mortgages.

Two-thirds of consumers with medical debt have health insurance. The Kaiser Family Health/New York Times Medical Bills Survey found that in 2015, 62% of consumers with medical debt had health insurance at the time of their first treatment and an additional 13% of indebted consumers obtained insurance at some point during their treatment. Among those who remained uninsured throughout treatment, many tried to get coverage through Medicaid, the health insurance marketplace, or private insurance companies and were told they were ineligible or were priced out of coverage.

Medical debt will likely worsen as uninsured rates climb. Since 2016, the uninsured rate has climbed from 11% to 14%, a net increase of about seven million adults.

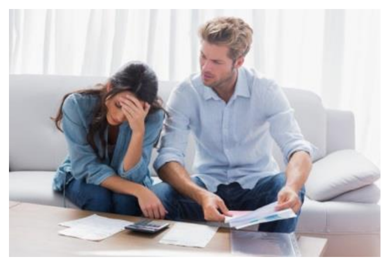
Medical debt can cut patients off from the healthcare services they need. In 2015, three in ten consumers facing problems paying medical bills reported avoiding healthcare services as a result of their debts while 62% of survey respondents reported relying on home remedies and over-the-counter drugs rather than seeing a doctor. 43% of respondents said they passed on medical tests and treatments recommended to them while one in three cut medications in half and skipped doses.

Families struggle to pay medical bills. According to a Kaiser Family Health/New York Times Medical Bills Survey, roughly 25% of Americans ages 18-64 reported having problems paying medical bills in 2015. 70% of individuals with medical debt reported cutting back spending on food, clothing, and basic necessities to try to manage debts in collections. More than half reported using up some or all of their savings to meet their obligations.

Medical debt disproportionately impacts communities of color. An Urban Institute study found that 21% of consumers living in predominately non-White zip codes had a medical debt in collections compared to just 16% of consumers living in predominately White zip codes.

The financial well-being of elders is impacted by medical debt. In a 2015 National Council on Aging survey, older adult advocates indicated that medical debt is the most significant barrier to economic well-being for more than half of their clients. More than 85% of survey respondents said their older clients frequently encounter medical debt they feel is unmanageable or that significantly impacts their financial security.

Millennials are more likely to carry medical debt than older consumers. A 2016 study published in Health Affairs found that among all people with at least one medical bill in collections, 11% were 27 years old, the largest share observed. That's one year after young adults lose eligibility for a parent's health insurance coverage under the Affordable Care Act.



The CFPB should protect consumers with medical debt from abusive debt collection practices by:

- **Requiring collectors and health care providers to wait 180 days after issuing a bill before reporting a debt to a credit reporting agency.**
- **Preventing unpaid medical bills from harming patients' credit reports and scores if the unpaid bills are due to billing errors or insurance disputes.**
- **Requiring collectors to provide a warning notice before placing negative information about a medical bill on a patient's credit report.**
- **Prohibiting collection of medical debt from low-income patients eligible for financial assistance or based on inflated "chargemaster" prices that are several times what private and government insurers pay.**