

# Tens of Millions of Consumers Will Benefit from New Rules for Medical Debt on Credit Reports

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## **New Model State Law Can Help Consumers Manage Medical Debt and Unfair Collection Practices**

BOSTON – Effective September 15, 2017, the three largest credit reporting agencies—Experian, Equifax, and TransUnion—will no longer report medical debts that are less than six months past due on credit reports and will also remove medical debts if the debt is later paid by insurance. The two changes are the result of a settlement between attorneys general in 31 states and the “Big Three” credit reporting agencies in a separate settlement with the New York Attorney General.

“Medical debts are a huge portion of the negative information in credit reports, making up about half of debt collection black marks appearing on these reports and affecting one in five consumers with a credit report, or 43 million Americans,” noted National Consumer Law Center attorney Chi Chi Wu, “With credit reports as a gatekeeper to affordable credit, employment, housing, and insurance, these changes should help tens of millions of consumers.”

The six-month period will help consumers by allowing more time to resolve insurance claims, billing disputes, or other issues that might delay payment of a medical bill. Oftentimes, medical bills are needlessly sent to debt collectors during such delays, but eventually paid off.

Wu recommended that consumers check their credit reports on a yearly basis by going to the official source for free annual credit reports: [www.annualcreditreport.com](http://www.annualcreditreport.com). After September 15, 2017, if a consumer spots a medical debt less than 6 months past due on her credit report, she should send a dispute to the credit reporting agency. If a dispute does not result in the deletion of the item, the consumer may want to send a complaint to the Consumer Financial Protection Bureau or her Attorney General if she is a resident of New York or one of the 31 states that signed the multistate agreement.

While the credit reporting changes will help millions of consumers, they will not address all the problems stemming from medical debts, which are often the result of the need for services that are involuntary, unplanned, and unpredictable. The most vulnerable patients – the uninsured and underinsured – are often billed “chargemaster” prices which are much higher than prices paid by private and government insurers. Yet many of these same consumers could be eligible for charity care from a hospital or insurance coverage such as Medicaid.

## **New Model State Law to Address Unfair Medical Debt Collection**

To address these problems, advocates from the National Consumer Law Center have released the Model Medical Debt Protection Act, a model law that states can adopt to shield vulnerable patients from crushing medical debt and unfair debt collection practices. The Model Act makes it possible for low- and moderate-income patients to pay a reasonable amount towards their health care bills while

protecting all patients from harassment by debt collectors.

“While many more Americans now have health insurance, medical debt is still a stubborn problem,” said National Consumer Law Center attorney Jenifer Bosco. “High deductibles, a lapse in insurance, or a dispute with a health insurance company can leave a family with unmanageable medical debt. Improved charity care policies and stronger safeguards against unfair or abusive debt collection practices will help all health care consumers.”