Big **Changes coming from**
Medical Debt being listed on patient Credit Reports

1

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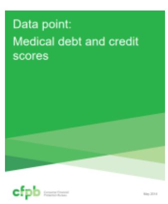


201405_cfpb_report_data-point_medical-debt-credit-scores.pdf (consumerfinance.gov)

2

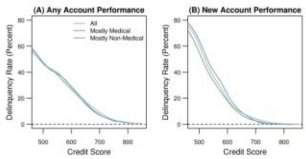
CFPB

First, CFBP examined whether medical and non-medical collections are equally predictive about the subsequent respective credit performance of consumers with these different types of accounts.

The answer appears to be "no." Our results suggest that consumers with more medical than non-medical collections had observed delinquency rates that were comparable to those of consumers with credit scores about 10 points higher.

3

FIGURE 2: PERFORMANCE BY CREDIT SCORE, MEDICAL VS. NON-MEDICAL COLLECTIONS



4

CFPB

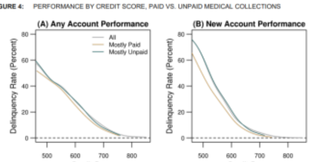
Second, CFPB conduct a similar analysis that evaluates whether paid and unpaid medical collections are equally predictive of consumer delinquency rates.

Again, the answer appears to be "no."

5

CFPB

FIGURE 4: PERFORMANCE BY CREDIT SCORE, PAID VS. UNPAID MEDICAL COLLECTIONS



6

Medical Debt Burden in the United States

Medical Debt Burden in the United States (consumerfinance.gov)

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cfpb Consumer Financial Protection Bureau

Consumer Education Rules & Policy Enforcement Compliance

Newsroom

CFPB Estimates $88 Billion in Medical Bills on Credit Reports

Inaccurate medical billing data contaminates credit reporting system

MAR 01, 2022

"When it comes to medical bills, Americans are often caught in a doom loop between their medical provider and insurance company," said CFPB Director Rohit Chopra. "Our credit reporting system is too often used as a tool to coerce and extort patients into paying medical bills they may not even owe."

CFPB Estimates $88 Billion in Medical Bills on Credit Reports | Consumer Financial Protection Bureau (consumerfinance.gov)

8

CFPB Threats

First, we will be 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.

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CFPB Threats

- Second, the CFPB will work with ***other government agencies*** to determine whether it is appropriate to include medical debt in their own underwriting and role in credit reporting.

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CFPB Threats

Finally, we will be assessing whether it is ***appropriate for unpaid medical billing data to be included on credit reports altogether.*** We already know how a medical bill reported on credit reports is less predictive of future repayment than reporting on traditional credit obligations. We will make this determination while also taking steps to reduce harmful and inaccurate credit reporting.

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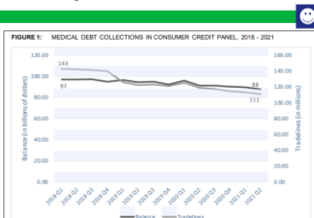
CFPB – Feb 22 Report



Medical debt total balance and total tradelines from the CFPB's Consumer Credit Panel, a 1-in-48 sample of de-identified credit records from one of the three major national consumer reporting agencies (NCRAs). Values have been scaled by 48 to reflect national numbers. See Appendix C for full data.

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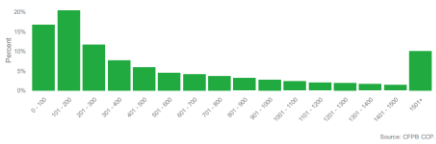
CFPB – Feb 22 Report

FIGURE 2: DISTRIBUTION OF MEDICAL COLLECTIONS BALANCES IN CONSUMER CREDIT PANEL, 2020



Source: CFPB CCP.

Distribution of medical collections balance amounts (in dollars) in the CFPB's Consumer Credit Panel as of 2020.

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Financial assistance programs

Some hospitals and managed care organizations have financial assistance programs that aim to reduce financial burdens for low-income patients. Under the federal Affordable Care Act (ACA), nonprofit hospitals are required to offer financial assistance to patients.[38] Certain states also

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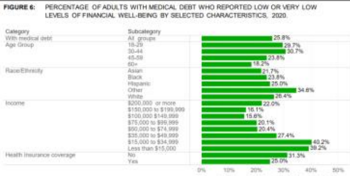
CFPB – Feb 22 Report

FIGURE 6: PERCENTAGE OF ADULTS WITH MEDICAL DEBT WHO REPORTED LOW OR VERY LOW LEVELS OF FINANCIAL WELL-BEING BY SELECTED CHARACTERISTICS, 2020.



CFPB analysis of the 2020 Federal Reserve Board's Survey of Household Economics and Financial Decision-making.

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Wall Street Journal

Chicago, Mar 18, 2022

Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting

Joint Measures from Consumer Credit Reporting Agencies Remove Nearly 70% of Medical Collection Debt Tradelines from Consumer Credit Reports

The three nationwide credit reporting agencies (NCRAs) – Equifax (NYSE: EFX), Experian (LON: EXPN), and TransUnion (NYSE: TRU) – today announced significant changes to medical collection debt reporting to support consumers faced with unexpected medical bills. These joint measures will remove nearly 70% of medical collection debt tradelines from consumer credit reports, a step taken after months of industry research.

According to the Kaiser Family Foundation, two-thirds of medical debts are the result of a one-time or short-term medical expense arising from an acute medical need. After two years of the COVID-19 pandemic and a detailed review of the prevalence of medical collection debt on credit reports, the NCRAs are making changes to help people to focus on their personal wellbeing and recovery.

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Paid Medical Debts will be removed

Effective July 1, 2022, paid medical collection debt will no longer be included on consumer credit reports.

Initiative	Who is Impacted?	Furnisher Action	Effective Date
CRAs will not display paid medical debt collection accounts	Collection Agencies and Debt Buyers	**No changes required.** Continue to report the paid medical collection with a status code 62. The CRAs will then remove the paid medical collection.	7/1/2022

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365 waiting period

In addition, the time period before unpaid medical collection debt would appear on a consumer's report will be increased from 6 months to one year, giving consumers more time to work with insurance and/or healthcare providers to address their debt before it is reported on their credit file.

Do not report medical debt collection accounts less than 365 days old	Collection Agencies and Debt Buyers	Do not report Medical Debt collection accounts (as defined by Creditor Classification Code 02) until they are at least 365 days past the Date of the First Delinquency with the original creditor that led to the account being sold or placed for collection. **[Note: existing rule is changing from 180 to 365 days]**	7/1/2022

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At Least $500.00 Balance

In the first half of 2023, Equifax, Experian and TransUnion will also no longer include medical collection debt under at least $500 on credit reports.

Do not report medical debt collection accounts under a pre-defined minimum threshold (will be at least $500 and published later this year)	Collection Agencies and Debt Buyers	Do not report Medical Debt collection accounts (as defined by Creditor Classification Code 02) under a pre-defined minimum threshold (will be at least $500 and published later this year).	3/30/2023

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Impacts

If you currently report to the credit bureaus – Americollect's previous studies have shown that recovery percentages will decrease by about 26%.

Example being – If Hospital ABC normally recovered 8%. Next year recovery will be 6%.

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Secondary Impacts

1. Budget for uncollectible should increase (notify your financial department on 3/30/2023).

2. Credit Bureaus will become slightly less predictive (are you using Experian, TransUnion, or Equifax for any data?)
Why – Credit Bureaus will no longer receive 41% of their previous data from furnishers.

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Secondary Impacts

3. Timely Filing – Resolution of accounts can occur after reaching the collection agency with insurance providers and by extending reporting to 365 days may increase those patients who have been hard to reach being informed by the credit bureaus.

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Billing and Collection Policy

Update your Billing and Collection Policy on 3/30/2023 to clarify that only balances greater than $500 will be reported to the credit bureau for Extraordinary Collection Actions.

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Economic Impact of the Growing Burden of Medical Debt

UNITED STATES SENATE COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS

DATE: Tuesday, March 29, 2022
TIME: 10:00 AM

WITNESSES

Ms. Robyn M. King
of Ohio

Ms. Emily Stewart
Executive Director
Community Catalyst

Dr. Benedic N. Ippolito
Senior Fellow
American Enterprise Institute

Professor David A. Hyman
Scott K. Ginsburg Professor Of Health Law & Policy
Georgetown University Law Center

Ms. Berneta L. Haynes
Staff Attorney
National Consumer Law Center

- United States Committee on Banking, Housing, and Urban Affairs (senate.gov)

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Economic Impact of the Growing Burden of Medical Debt

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Economic Impact of the Growing Burden of Medical Debt

Question - Do consumers benefit by not reporting medical debt under $500?

Answer - 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.

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Economic Impact of the Growing Burden of Medical Debt

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

Answer - 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.

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Economic Impact of the Growing Burden of Medical Debt

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

Answer - 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

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Thank you

- Shawn Gretz –
- President of Americollect
- 920-420-3420
- shawn@americollect.com

- Not legal advice, talk to your attorney.

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