

REDEFINING MEDICAL DEBT



The CFPB's Proposal &
It's Ripple Effects on Healthcare & Credit



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As VP of People and Compliance at Revenue Enterprises, Karie oversees recruitment, training, onboarding, employee engagement, and compliance functions. With extensive experience in the revenue cycle support industry, her expertise includes leadership, operations, policy development, budgeting, and client management. Karie is passionate about fostering a diverse and motivated team to enhance employee, patient, and client experiences.

TODAY'S AGENDA

I. THE CONSUMER FINANCIAL
PROTECTION BUREAU (CFPB)

III. BOTH SIDES OF THE COIN

V. WHAT DOES IT MEAN FOR
HOSPITALS AND PATIENTS?

II. MEDICAL DEBT TODAY

IV. CFPB'S PROPOSED CREDIT
REPORTING RULE

VI. YOUR VOICE MATTERS

VII. KEY POINTS | Q&A

THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)



2011

ENACTED TO PROTECT CONSUMERS



Supervision

OF BANKS, LENDERS, CREDIT REPORTING & DEBT COLLECTION COMPANIES



~76%

OF COMPLAINTS TO THE CFPB ARE ON CREDIT REPORTING



Oversees

COMPLAINTS FROM CONSUMERS ON MEDICAL & OTHER DEBT REPORTED



Education

HELPS CONSUMERS BY PROVIDING MATERIALS & FACILITATING COMPLAINTS



MEDICAL DEBT TODAY

MEDICAL DEBT IS (4D) DIFFERENT



DISCERNMENT

Services provided without an idea of total out of pocket cost to consumers



DISPARITY

Significant consumer cost depending upon insurance and coverage



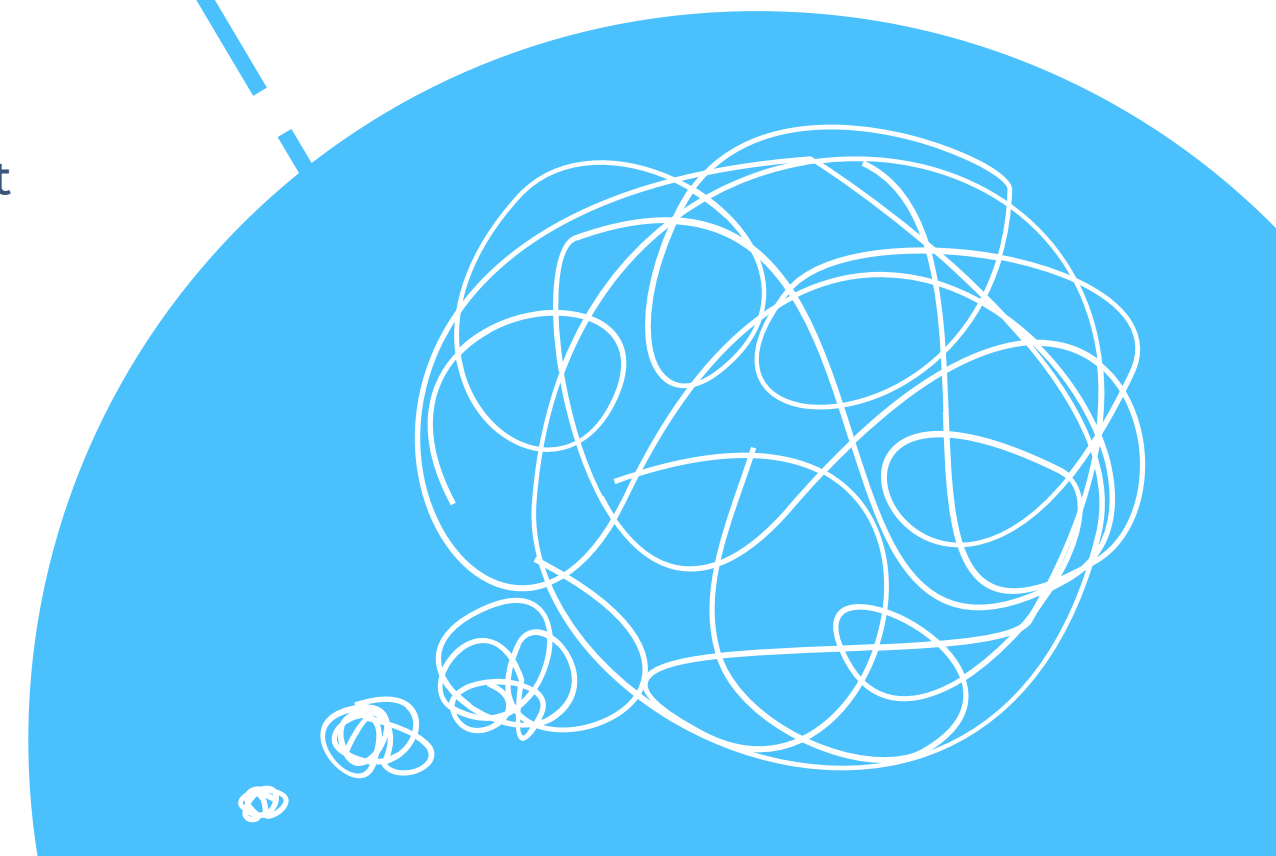
DIFFICULT

Repayment windows are shorter and monthly payment amounts are higher



DISCOURAGING

Most accounts sent to collections within 120-180 days from date of discharge





MEDICAL DEBT TODAY

- Per US News & World Report over 100 million Americans owe approx. \$220 billion in medical debt.¹
- Colorado, Minnesota, New York and California DO NOT allow medical debt to be credit reported.
- Additional states including Rhode Island, Connecticut, New Jersey, Illinois, and Virginia are considering or have recently passed legislation to ban medical debt reporting.



1. U.S. News, [US Watchdog Issues Warning to Medical Debt Collectors](#), Published Oct. 1, 2024 by Reuters



MEDICAL DEBT TODAY

CURRENT MEDICAL DEBT REPORTING RULES



- Medical debt cannot be reported until 365 days after date of 1st delinquency (collection statement)
- Only balances above \$500.00 reported.
 - As of 3/31/23 – Credit Reporting Agencies no longer included medical debts with balances less than \$500.00 on a consumer credit report
- All \$0 Balance - Paid in Full medical debt removed from reports



MEDICAL DEBT TODAY

IMPACT WE'VE SEEN IN COLORADO



- Since stopping credit reporting - 12.3% decrease in CO hospital bad debt recovery rates
- Due to additional legislation enacted regarding medical debt CO law firms have stopped accepting cases from Collection Agencies
 - SB 23-093 introduced stricter regulations on medical debt collection practices
 - SB 23-1126 banned medical debt reporting on credit reports & prohibits collectors from making false statements that medical debt will be reported.



MEDICAL DEBT TODAY

IN THE NEWS



- “The CFPB is seeking to end the senseless practice of weaponizing the credit reporting system to coerce patients into paying medical bills that they do not owe,” CFPB Director Rohit Chopra said. “Medical bills on credit reports too often are inaccurate and have little to no predictive value when it comes to repaying other loans.” - NBC News¹
- “Debt collectors are violating the law if they rely only on information from a medical provider to collect a debt and they cannot collect on medical debts that are covered by insurance or government programs such as Medicare or Medicaid, the Consumer Financial Protection Bureau said in a far-reaching advisory opinion.” - American Banker²

1. NBC News, [Biden administration moves to ban medical debt from credit reports](#). Published June 11, 2024, by Rob Wile

2. American Banker, [CFPB warns of inflated medical billing, hospital collection practices](#). Published Oct. 1, 2024, by Kate Berry

BOTH SIDES OF THE COIN

REASONS FOR & AGAINST THE BANNING OF MEDICAL DEBT

CFPB:

- Medical Debt is confusing for consumers
- Medical Billing is fraught with errors
- Prices for same services are different and higher for out-of-network patients
- Accounts sent to 3rd party collectors with limited access to provider records
- Medical debt can lead people to avoid care, develop medical and mental health issues
- Medical debt and enforcement can lead to lawsuits and garnishments and bankruptcy
- COVID-19 exacerbated these issues





BOTH SIDES OF THE COIN

REASONS FOR & AGAINST THE BANNING OF MEDICAL DEBT

ACA INTERNATIONAL & HEALTH PROVIDERS

- Healthcare is complex and regulated
- Providers and their RCM companies want to clarify amounts due for patients early in the process
- Financial Assistance requirements and programs have increased since the pandemic
- The CFPB convened a SBREFA committee and decided this ruling before consulting healthcare providers
- There was no research done by the CFPB on the impact this would have on providers especially those with little margin

MEDICAL DEBT STATISTICS PER THE CFPB



\$88 Billion

Medical Debt Reported

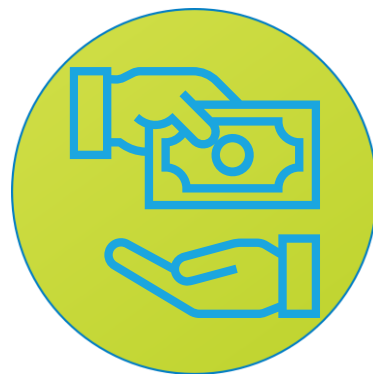
- Over \$88 billion in reported medical debt as of 2021
- Est. reported debt over \$220 billion today Per US News & World Report



58% Medical

Credit Tradelines

- 58% of Credit Report Tradelines were Medical Debt in 2021
- Next most common debt was telecommunications at 15%



Difficult

Ability to Pay

- Medical debt on a credit report inaccurately predicts ability to pay



Disparate

Disparate Impact

- Medical debt disparately impacts minorities, the young and elderly and lower income people as they are more likely to have medical debt reported



Unpredictable

Changing Amounts

- Medical bills are unpredictable and vary widely depending on patient and providers
- Uninsured patients are often charged higher prices
- Prices can exceed costs with high mark ups

CFPB PROPOSED CREDIT REPORTING RULE

The CFPB is currently proposing to:

- Prohibit creditors from obtaining or using medical debt collection information to make determinations about a consumer's credit eligibility
- Prohibit consumer reporting agencies from including medical debt collection information on reports furnished to creditors
- Removing the financial information exception which permits creditor to obtain and use medical financial information (including medical debt) in connection with credit eligibility determinations
- Limit circumstances under which consumer reporting agencies are permitted to provide medical debt information to creditors for credit eligibility determinations



CFPB PROPOSED CREDIT REPORTING RULE CHANGES

- Recommendations made following a review by the SBREFA Panel (Small Business Regulatory Enforcement Fairness Act) in 2023
- The CFPB convened a SBREFA panel to collect advice and recommendations from small entities on the medical credit reporting issue





REASONS FOR CFPB PROPOSED RULE

- CFPB research has shown that some non-profit hospitals are creating “*significant barriers to obtaining financial assistance*” for their patients ²
- Non-profit hospitals are spending only ~ 2.3% of their total revenue on financial assistance which is lower than for-profit hospitals. ²
- “*Medical Billing is often riddled with errors, including inflated or duplicative charges, fee for services the patient never received, or charges already paid.*” CFPB Director Rohit Chopra ¹
- “*The CFPB is taking action to ensure that Americans are not unfairly chased by debt collectors over unsubstantiated or invalid medical bills*”. CFPB Director Rohit Chopra ¹
- Illegal debt collection practices include double billing for the same service, collecting on debts that are false or insufficiently documented or that exceed legal caps, and misrepresenting consumers’ right to dispute charges ¹

1. Reuters, [US watchdog issues warning to medical debt collectors](#). Published October 2024, by Douglas Gillison

2. Consumer [Financial Protection Bureau, Medical Debt and Non-Profit Hospital Billing Practices](#). Published Oct. 1, 2024, by consumerfinance.gov



HISTORY OF CFPB PROPOSED RULE

CURRENT STATUS OF THE RULE

- The Rule was proposed in September 2023
- ACA International, HFMA, AHA, and MGMA have all opposed this rule
- The CFPB issued a final ruling in June 2024 and allowed a comment period which ended on 8/12/24
- Comments were submitted by over 1,000 healthcare providers, RCM agency owners and others who are involved in the industry
- We are in a “quiet period” presently pending the regulation being placed into law.



WHY REMOVE MEDICAL DEBT?

- Inaccuracy of medical bills
- Medical debt does not predict a persons' ability to repay a debt
- Assists family recovering from significant medical issues not to have the debt affecting their credit
- Discourage Coercive Debt Collection Practices
 - Debt collectors may use medical debt reporting as leverage to pay bills they may not owe
- Improve Credit Scores – ensure that credit reports are accurate and fair
 - People won't be impacted by a medical situation beyond their control



WHAT DOES THIS MEAN?

FOR HOSPITALS AND CONSUMERS

HOSPITALS

- Up Front Payment policies should be targeted to start collection process
- Increased legislation needed to enforce collections
- Higher costs to collect
- Delayed payment of accounts sent to bad debt
- Less payments received from bad debt

CONSUMERS

- Less worry about their credit report - can concentrate on healing
- Pay what they can towards accounts
- May be surprised to see a notice from an attorney if they are fully employed
- Judgments remain a matter of public record although do not impact credit reports
- Garnishments of paychecks possible

WHAT DOES THIS MEAN?

EXPECTED IMPACTS FOR MEDICAL PROVIDERS

- Reduced Bad Debt recoveries ~10-12% decrease in cash recoveries
- Higher litigation fees - Increases the cost-to-collect debt
- Places increased burden on healthcare providers to collect up-front co-pays and deductibles for non-emergent care
- Financial strain expected due to delayed or reduced patient payments
- Payment policies change to extend repayment period
- Expanded and expedited financial assistance screening and process
- May impact pricing making healthcare more expensive



YOUR VOICE MATTERS

ACA INTERNATIONAL RECOMENDATIONS

1. Share COMMENTS AND THOUGHTS WITH YOUR LEGISLATORS

“The current proposed rule stands to impact our receivables operations—which directly affect our financial model and therefore the patients we are here to serve. In its proposal, the CFPB requested comments about the potential impacts on health care providers’ revenues and costs. It specifically referenced the possibility of an increased need to write off debt or increase litigation to recoup payments. These are not beneficial outcomes for our patients.”

“It is concerning that according to the American Hospital Association’s comments on the CFPB’s proposal outline, it could take away the incentive for patients to purchase insurance if they expect they will not have to pay their medical bills. Patients who choose to forego insurance coverage may have limited access to health care, as hospitals’ financial assistance is not a match for comprehensive health insurance.”



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October 30, 2023

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau

Submitted Electronically

**RE: Small Business Advisory Review Panel for Consumer Reporting Rulemaking:
Outline of Proposals and Alternatives Under Consideration**

Dear Director Chopra:

On behalf of the American Hospital Association’s (AHA) nearly 5,000 member hospitals, health systems and other health care organizations, and our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, we thank you for the opportunity to provide comments on the Consumer Financial Protection Bureau’s (CFPB) proposals related to medical debt reporting.

In the first quarter of 2023, household debt in America rose to \$17.05 trillion, representing a precipitous increase over the last decade.¹ In part, rising debt can be attributed to cost growth outpacing income growth which requires many Americans to borrow more to pay for housing, higher education and consumer goods. For example, one study found that college costs have increased by almost 170% since 1980, while the average earnings for young adults (aged 22-27) have only increased by 19%.² Middle class Americans are shouldering much of this debt, and many are living paycheck to paycheck.

Medical debt, a consequence of patients not paying some or all their health care bills, is one type of debt held by many Americans. While health insurance is intended to be the primary mechanism to protect patients from unexpected and unaffordable health care costs, for too many that coverage is either unavailable or falling short.

¹ <https://www.newyorkfed.org/microeconomics/hhdc>

² <https://www.cnbc.com/2021/11/02/the-gap-in-college-costs-and-earnings-for-young-workers-since-1980>



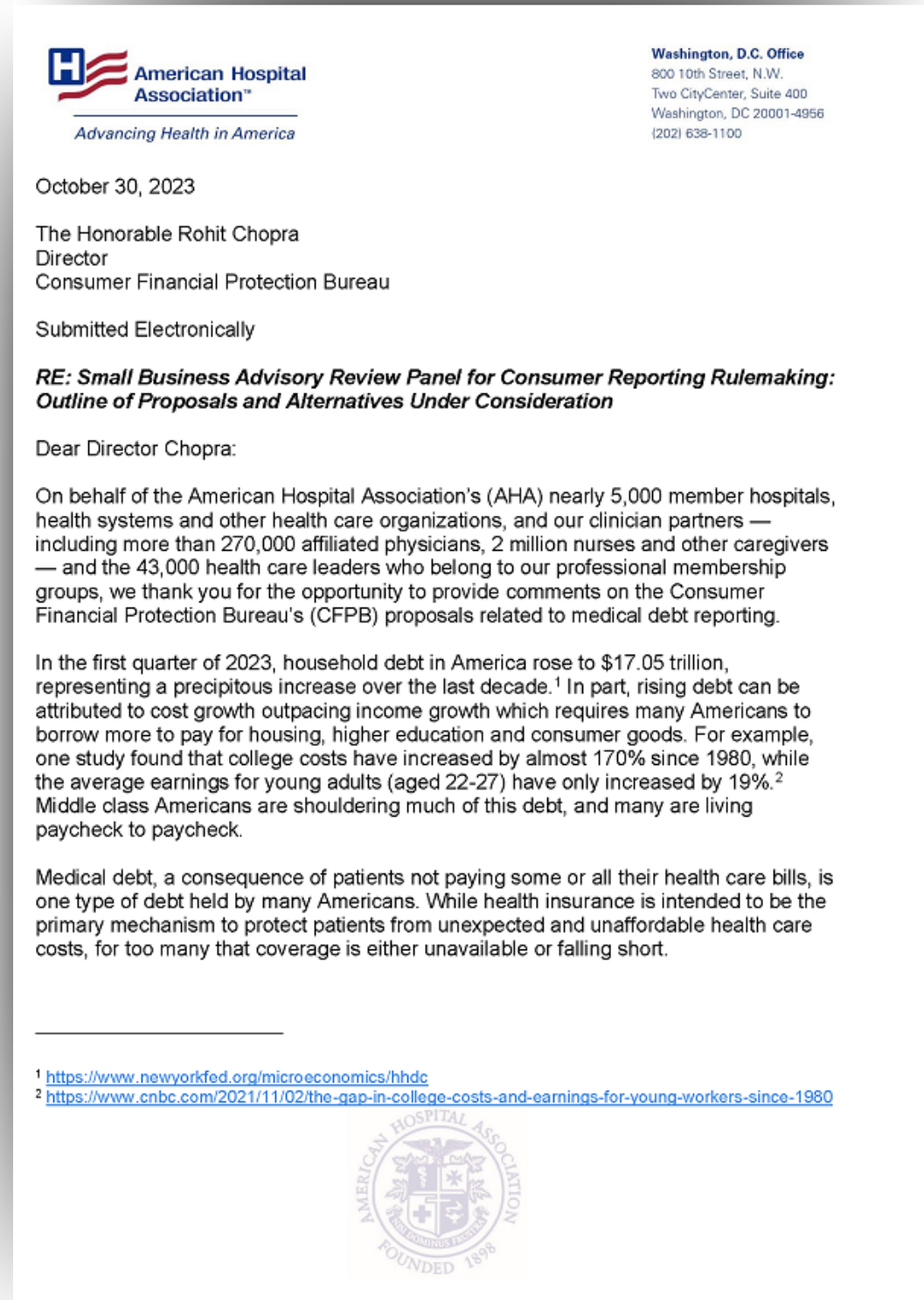
YOUR VOICE MATTERS

ACA INTERNATIONAL RECOMENDATIONS

2. Share UNINTENDED CONSEQUENCES THAT MAY BE CAUSED

Healthcare Providers may choose to charge up-front for co-pays and deductibles for non-emergent care causing possible issues to access care by lower income patients and consumers in the community

Increased Financing by patients who may or may not be able to repay the loan



1. <https://www.aha.org/lettercomment/2023-10-31-aha-letter-consumer-financial-protection-bureau-consumer-reporting-rulemaking-and-medical-debt>

SAMPLE LETTER

<Date>

Dear _____:

My name is _____, and I am _____ with _____.

In this letter I represent _____ from the perspective of our accounts receivable team.

I am writing to ask you to consider our concerns regarding the Consumer Financial Protection Bureau's Notice of Proposed Rulemaking on the Fair Credit Reporting Act related to medical debt and credit reporting.

The current proposed rule stands to impact _____ and our receivables operations - which directly affect our financial model and therefore the patients we are here to serve. In its proposal, the CFPB request comments about the potential impacts on health care providers' revenues and costs. It specifically references the possibility of an increased need to write off debt or increase litigation to recoup payments. These are not beneficial outcomes for our patients.

It is concerning that according to the American Hospital Association's comments on the CFPB's proposal outline, it could take away the incentive for patients to purchase insurance if they expect they will not have to pay their medical bills. Patients who choose to forego insurance coverage may have limited access to health care, as hospitals' financial assistance is not a match for comprehensive health insurance.

Additionally, an article in The Wall Street Journal on Sept. 25, 2023, *Another Round of Debt Forgiveness*, talks about the CFPB's rules will hurt many consumers and patients.

Thank you for considering our feedback.

Sincerely,



KEY POINTS | Q&A

- The heat is on for Medical Debt
- Healthcare Providers must make a comprehensive plan to ensure minimal disruption for patients in access to care and billing practices
- Expect a 10-12% decrease in collection recoveries
- Enhance your financial assistance program education and applications
- Work to introduce greater up-front collection services and/or set payment plans in advance for higher out-of-pocket amounts
- Partner with a loan provider for extended payment options for patients
- Make your voice heard
- Work with your patients and RCM partners to identify opportunities for success





THANK YOU!

Questions? Let's Connect!

October 2024

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