

# CFPB Debt Collection and Medical Debt Activities

HFMA, February 2023

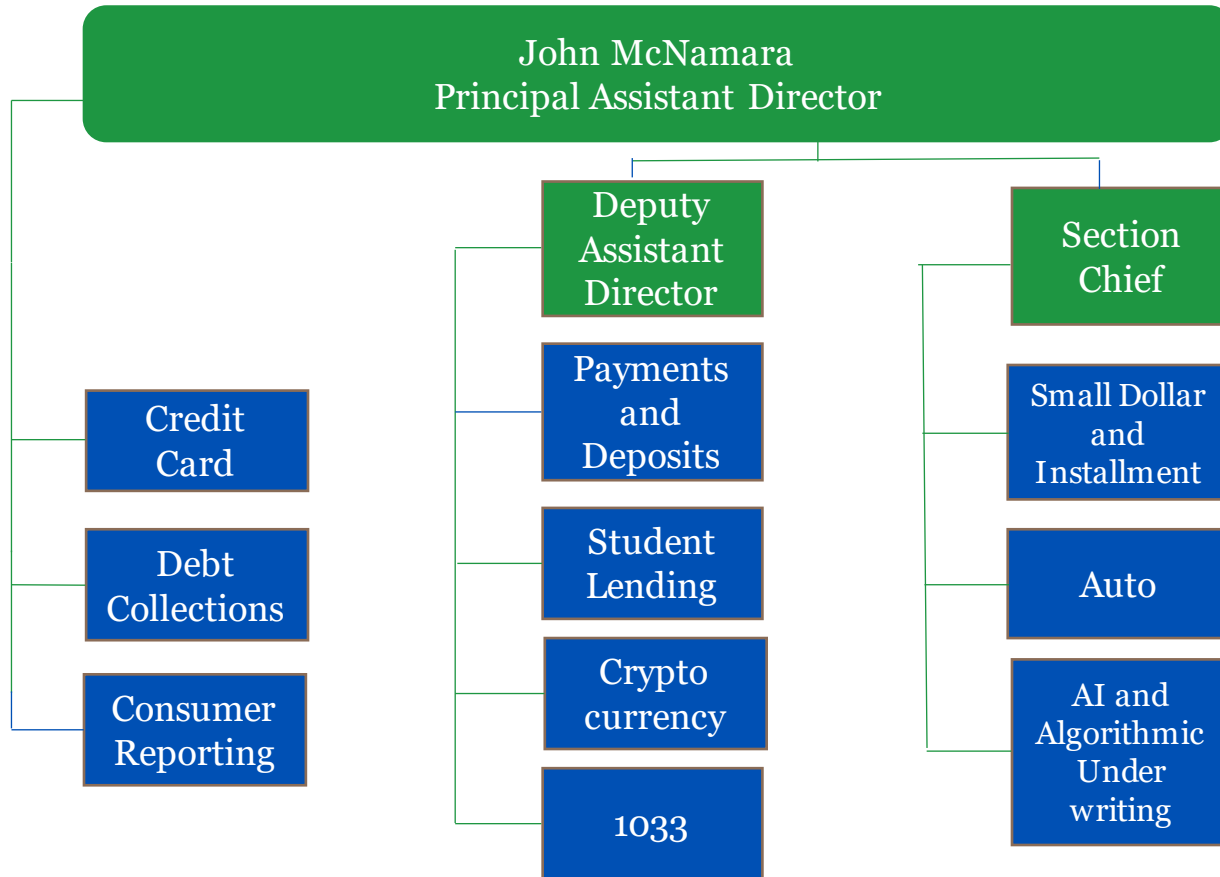
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# CFPB Structure: Monitoring – Consumer Credit, Payments, and Deposits (CCPD)

# CFPB: CCPD Organizational Structure



CCPD is structured into subgroups which focus on a particular consumer financial market. Each market is directed by a program manager, whose work may be supported by senior fellows and analysts.

# Debt Collections

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- Monitor debt collections market for various assets types such as credit card, auto, student loan, small dollar lending, and identify trends and issues that inform CFPB policy
- Future/ongoing areas of work:
  - (1) asymmetry of information between consumers and debt collectors,
  - (2) easy entry for scammers and bad actors in debt collection market,
  - (3) debt collection tradelines on credit reports, and
  - (4) medical debt servicing
- Recent publications:
  - *Medical Debt Burden in the U.S.*
  - *FDCPA Annual report 2022*
  - *Card Act Report 2021 (Debt Collections Survey)*

# Overview: Medical Debt Burden in the US

# Summary of Medical Debt Trends

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## Consumer Complaint Trends

1. Medical debt complaints reported to the CFPB increased by 61% from 2019 to 2022, representing 15% of all complaints in 2021.
2. Half of all medical debt complaints from 2019 to 2022 were for “attempts to collect on debt not owed.”

## Collections Tradelines Trends

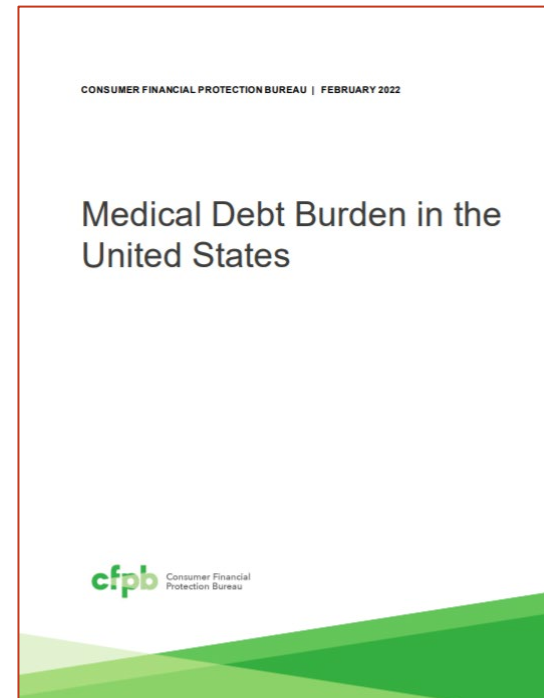
3. The share of consumers with medical debt collections tradelines decreased by 24% from 2018 to 2022.
4. The total number of medical collections tradelines fell by 37%, dropping from 158 million tradelines in 2018 to 100 million tradelines in 2022.
5. The median medical collection balance increased from \$209 in 2018 to \$250 in 2022 – a 20% increase over the period.
6. Over 60% of medical collections balances were under \$500 in Q1 2022.
7. Debt-buyers rarely report medical debt, while nearly 70% of tradelines reported by non-buyer debt collectors are for medical debt (Q1 2022).
8. The medical collections market is composed of many small furnishers, with lowest top four market share (14.7%) of any asset type (Q1 2022).

# On March 1, 2022, the CFPB released a market report on medical debt collections and reporting.

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- Four sections:

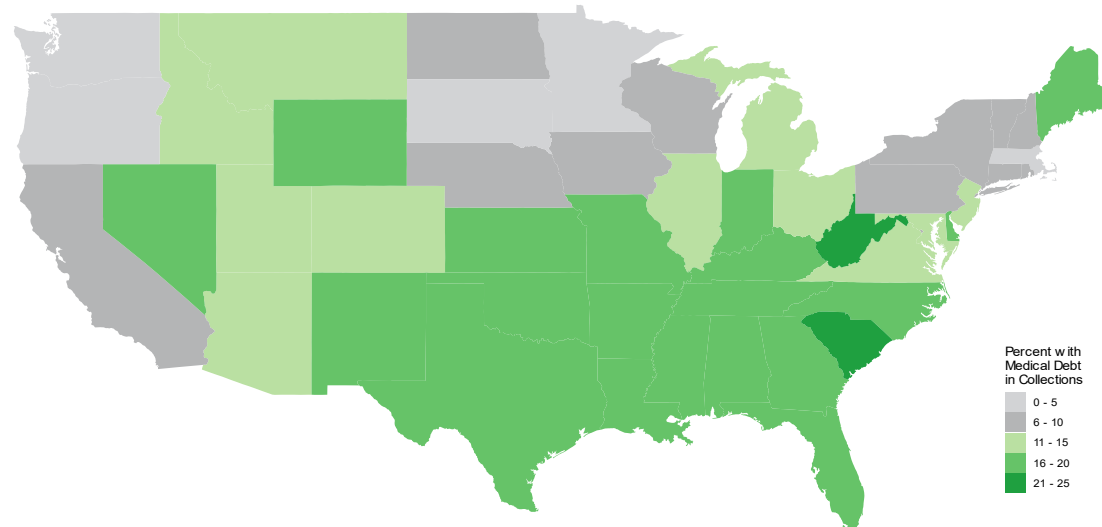
1. Medical Debt Landscape
1. Adverse Impacts of Medical Debt
2. COVID-19 Impacts
3. Legislative and Regulatory Developments





# Medical debt is more common in the South. Most medical debts are small dollar

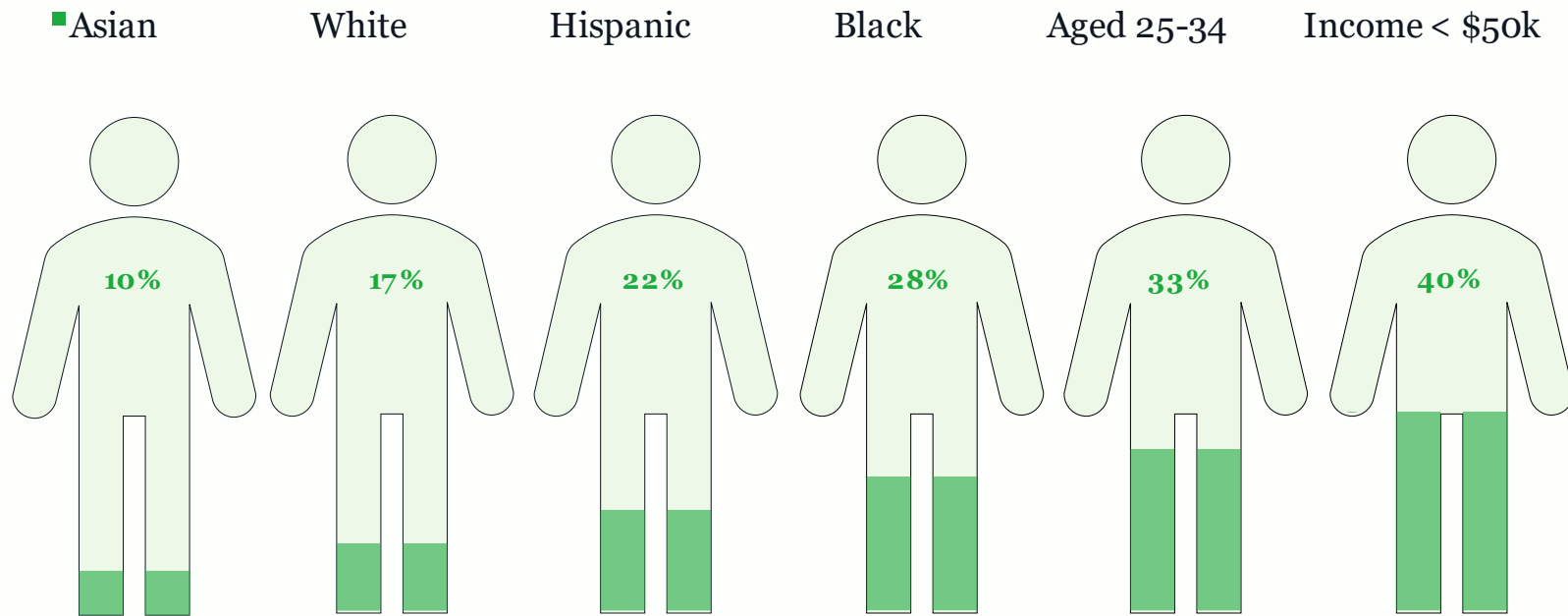
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- In 2020, the median medical collection was \$310, and 62 percent of medical collections were under \$490.
- Consumers in states that have not expanded Medicaid are more likely to have medical debt.

# Some demographic groups have higher rates of medical debt

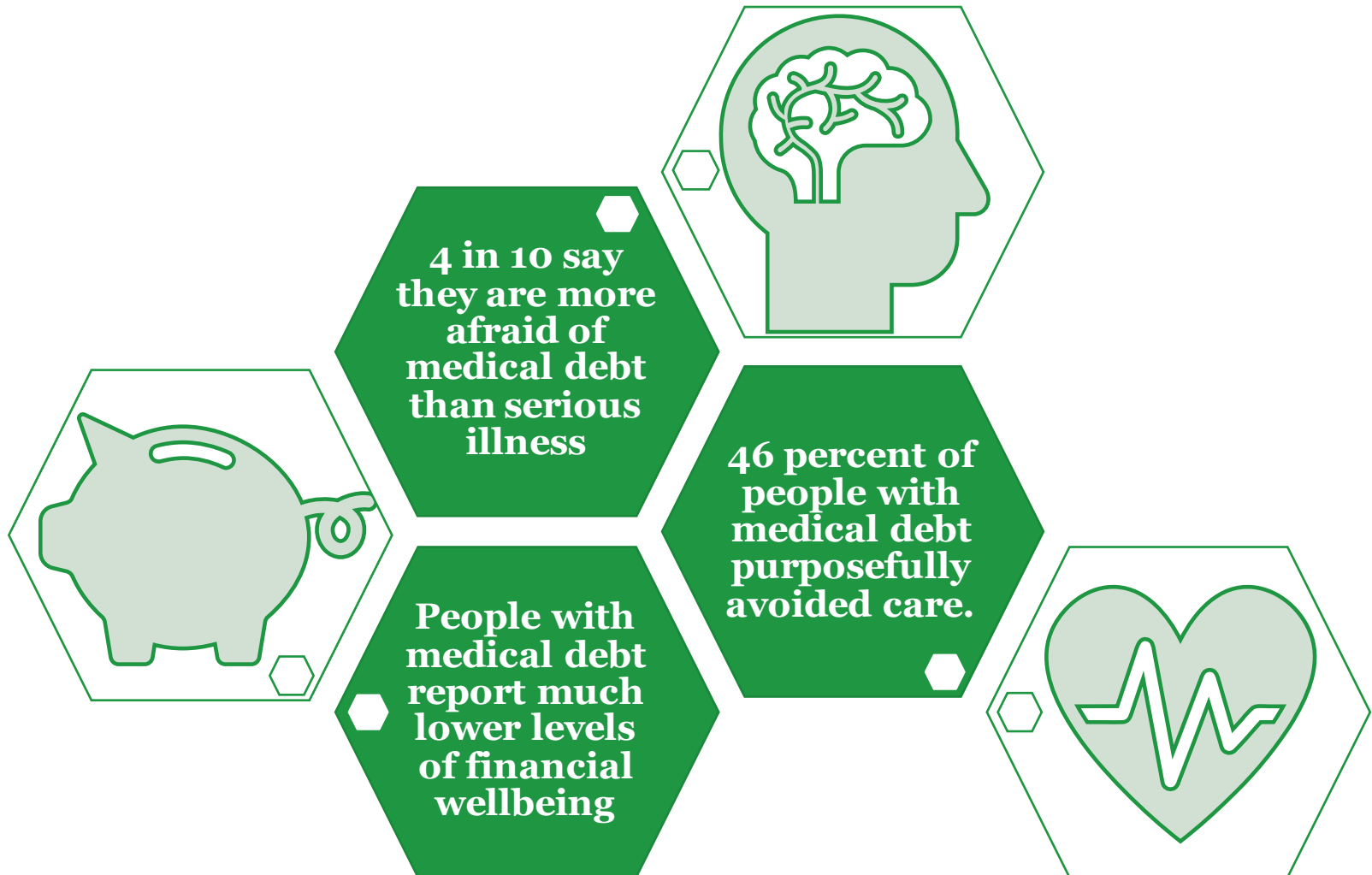
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Black and Hispanic people, young adults, and low-income people are more likely to have medical debt. Older adults and veterans are also heavily impacted.

The report also describes the adverse impacts of medical debt on consumers.

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# The COVID-19 pandemic has magnified medical debt concerns.

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- Half of all people affected by COVID-19-related hardships had medical bill or medical debt problems in the last year.
- Uninsured patients may avoid seeking COVID-19 testing and care out of fear of medical debt.
- People of color are more vulnerable to COVID-19-related medical debt.
- 72% of insurers have stopped waiving deductibles, copays & coinsurance costs for COVID—19-related care.

## The report identifies action items on medical debt.

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- The CFPB intends to:
  - Hold credit reporting companies accountable for accurate medical debt information.
  - Support the work of HHS to ensure patients are not billed amounts that violate the No Surprises Act.
  - Facilitate access to financial assistance programs.
  - Conduct additional research on medical debt.
  - Investigate eliminating unpaid medical billing data on credit reports altogether.

# Recent changes to medical debt credit reporting

# Changes to Medical Collections Credit Reporting & Scoring

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- **March 2022 – NCRCs announce changes to medical collections reporting**

- As of July 1, 2022:
  - Paid medical collections no longer appear on consumer reports
  - 1-year waiting period before medical collections appear (increased from 6 months)
- In the first half of 2023, medical collections under at least \$500 will be removed.
- Together, the changes will remove about 70% of medical collections tradelines.

- **August 2022 – VantageScore announces medical collections will no longer affect consumers’ VantageScore credit scores**

- VantageScore 3.0 and 4.0 will no longer use any medical collection data in the calculation of consumers’ credit scores, effective mid-October 2022.
- Consumers with medical collections will likely see scores increase by up to 20 points.

# Research on Medical Debt and the Announced 2023 Medical Collections Reporting Change

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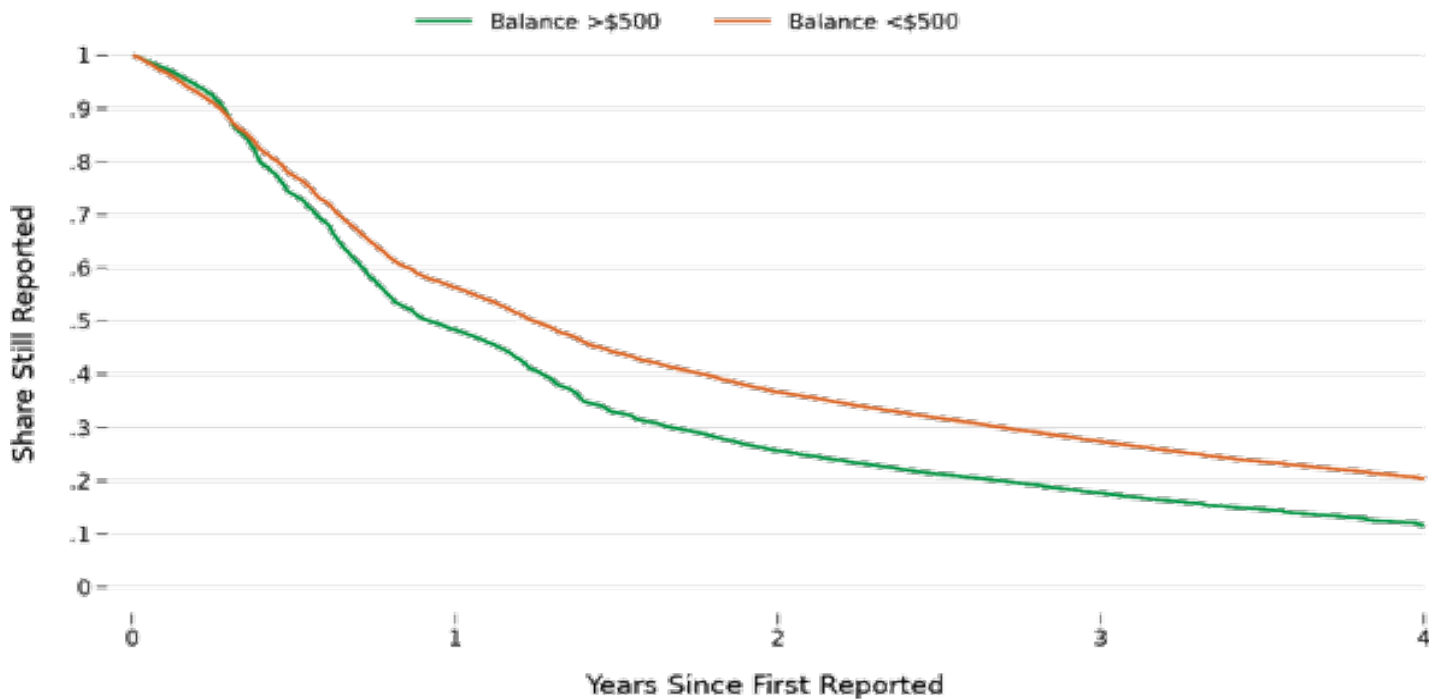
- To explore the potential impact of this change, the CFPB published *“Paid and Low-Balance Medical Collections on Consumer Credit Reports”* in July 2022.
  - The report highlights the current characteristics of consumers with reported medical collections and explores how the credit reporting changes will impact consumers’ credit reports.
  - This research uses the CFPB’s Consumer Credit Panel (CCP) to analyze medical collections tradelines first reported to a national credit reporting company after January 2017.



# Key Finding: Current State of Medical Debt on Consumers' Credit Reports

- Two-thirds of medical collections on credit reports have an initial balance of less than \$500.
- On average, lower balance (<\$500) medical collections remain on credit reports longer than higher balance (>\$500) medical collections.

**FIGURE 1:** Share Of Medical Collections Tradelines That Remain On Consumer Credit Reports Over Time Since First Reported, By Size



## Key Finding: Impact of Medical Collections Reporting Change

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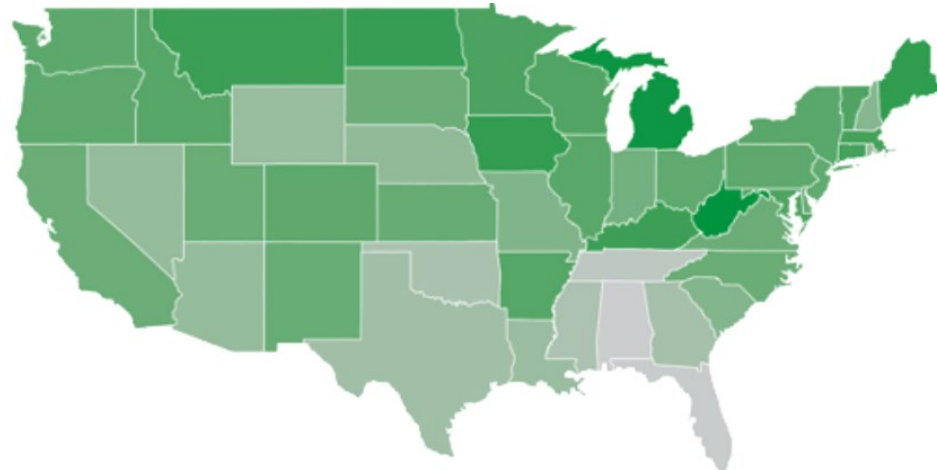
- About half of all consumers who currently have medical collection tradelines on their credit reports will likely still have medical collections reported once the Medical Collections Reporting Change goes into effect.
- The removal of medical collections under \$500 may have a large effect on the number of medical collections reported, as two-thirds of medical collections are under that threshold, but these collections represent a minority of medical collections balances in dollar terms.
- Removing paid collections is less likely to have a substantial effect, as very few medical collection tradelines are ever marked paid.

# Key Finding: Characteristics of Consumers Likely to Have Medical Collections Removed

- Although consumers with medical collections are significantly more likely to reside in neighborhoods that are majority Black or Hispanic and have lower median income, consumers who have medical collections that are likely to be removed (<\$500) are disproportionately:
  - More likely to live in states in the north and east of the country
  - More likely to live in a neighborhood that is majority white and higher income

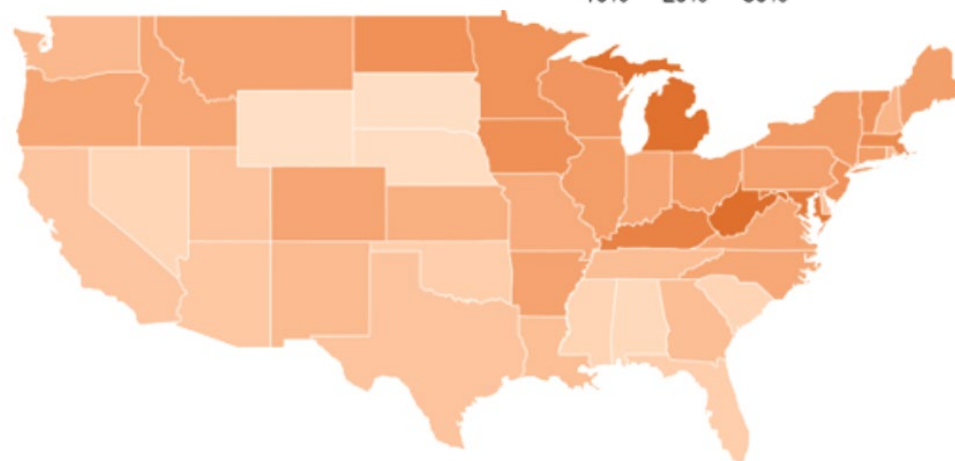
**Share of Collections Removed by Number**

Share Paid or < \$500(Count) 60% 70% 80%



**Share of Collections Removed by Balance**

Share Paid or < \$500(Balances) 10% 20% 30%



# No Surprises Act (NSA): Highlights

# Bulletin: Medical Debt Collection and Consumer Reporting Requirements in Connection with the No Surprises Act

- The No Surprises Act (NSA) protects consumers from certain unexpected medical bills.
- Companies that furnish information about or try to collect on medical bills that are prohibited by the NSA may face legal liability under the FDCPA and FCRA.
- Furnishers must have reasonable written policies and procedures on the accuracy and integrity of consumer information provided to credit bureaus.

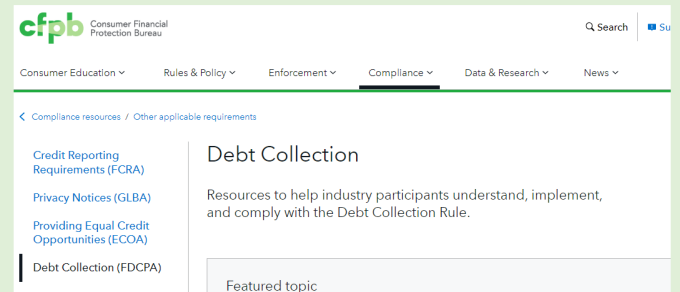
## Additional Resources

### Ending Surprise Medical Bills

See how new rules help protect people from surprise medical bills and remove consumers from payment disputes between a provider or health care facility and their health plan

[Learn More](#)

<https://www.cms.gov/nosurprises>



The screenshot shows the CFPB website's navigation menu with 'Compliance' selected. The main content area displays 'Debt Collection' with a description: 'Resources to help industry participants understand, implement, and comply with the Debt Collection Rule.' A sidebar on the left lists other compliance resources: 'Credit Reporting Requirements (FCRA)', 'Privacy Notices (GLBA)', 'Providing Equal Credit Opportunities (ECOA)', and 'Debt Collection (FDCPA)'. A 'Featured topic' box is also visible.

<https://www.consumerfinance.gov/compliance/compliance-resources/other-applicable-requirements/debt-collection/>

# Continued Work on Medical Debt

# Upcoming Market Monitoring Reports and Blogs on Medical Debt (Publishing Feb 2023)



- From 2018 to 2022, the share of consumer credit records with **any collections tradelines declined 20 percent.**
- Medical collections tradelines **continue to make up a majority of (57%) all collections** on consumer credit records.
- The number of collections reported by **non-buyer debt collectors dropped**, but the number of collections reported by **debt buyers increased.**



- Research shows many healthcare providers are moving away from furnishing.
- **True costs of credit reporting (both to provider and patient) outweigh the benefits.**



- Market monitoring indicates **debt collectors do not have access to the healthcare provider's original system of records.**
- Poor information exchange results in consumers receiving inaccurate debt balances.

# Questions?

Thanks for attending!