



Issue:
Medical Debt Reporting

Background: As the world rebounds from the COVID-19 pandemic and we adjust to our “new normal,” healthcare debt more than ever has become a focal point of lawmakers’ and regulators’ attention. There is a myriad of legislative, enforcement, and regulatory activities at the state and federal level zeroed in on different approaches to healthcare debt and its resolution. During the height of the pandemic, we saw state and federal agencies suppressing debt collection activities due to the public health emergency and the hardships consumers suffered. Most of these have been lifted, but states still have the option of continuing them. Medical debt is unlike any other type of debt, yet it continues to be thought of as regular debt and lumped into one Debt Collection category. Self-Pay and out of pocket medical costs are quite different from a home mortgage, credit card delinquency, student loans and car loans and as such needs to be treated differently.

At the state level, fueled in part by a well-timed initiative by the National Consumer Law Center (the “NCLC”) that began in early 2019, states have enacted and continued to consider medical debt protection laws that restrict various debt collection, debt buying, and legal debt collection activities. Meanwhile, at the federal level, the Federal Trade Commission (“FTC”) passed a resolution in July of 2021, to focus its enforcement efforts, among other things, on healthcare businesses, and whether or not they are engaging in unfair, deceptive, or other practices and “to determine the appropriate action or remedy, including whether monetary relief would be in the public interest.”

Most recently and of note, outside of any federal or state legislation, the three major credit reporting agencies; Equifax, Experian, and TransUnion, released a statement and notification detailing their changes to medical debt reporting some of which will be in effect as recent as July 1, 2022:

Effective 07/01/2022

- The removal of credit trade lines from all paid medical debt.
- Medical debt will only be reported once it has aged to 365 days or more.

Effective 03/30/2023

- Medical debt less than \$500.00 will not be reported.

Prior to the pandemic, understanding the complexities of the hospital billing system has long been a challenge for patients. Our collection partners, better known by AAHAM as Patient Financial Advocates (PFA’s), play an essential role in assisting patients understand their healthcare out of pocket liabilities and provide education on the various programs available to them.

So, what does this all mean for patients, hospitals as well as the collection agencies and what steps should be taken?



The passing of the No Surprise Act in January of 2022 should alleviate some of these issues for patients. However, legislation that prevents or stymies hospitals from recovering true self-pay balances which make up a substantial portion of a hospital's account receivable, is concerning.

- According to Healthcare Finance News a TransUnion healthcare analysis determined that, “More than 30 percent of self-pay accounts which is comprised of the “uninsured” and “true patient balances” will generate 80 percent of the self-pay revenue collected by hospitals.”
- Healthcare debt should not be viewed and reported the same as regular business debt.
- Hindering the hospital's ability to be able to collect on true self pay balances and recouping justly due reimbursement will only add to the increase in the total cost of healthcare.

Recommendations:

Below are AAHAM's recommendations which will hopefully promote bipartisan support for the initiatives.

1. Ensure consistent medical debt reporting practices from all health care providers along with all collection agency partners from state to state.
2. No debt parking – in other words, must exhaust debt collection letters or letter + call campaign before credit reporting.
3. AAHAM agrees with the removal of trade lines 30-45 days after medical debt paid, regardless of source of payment. This would be beneficial to the patient while at the same time will hopefully incentivize the patient in paying.
4. AAHAM and providers support medical debt reporting for true self-pay balances so long as all other efforts to satisfy this debt have been exhausted such as: financial assistance programs, loan programs and payment plans.