

# The Future of Credit Reporting Medical Debt

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*The Safe Harbor: Debt Collection Law Update by Aylix K. Jensen (March 2022 edition)*

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**Aylix K. Jensen offers analysis and insights for the debt collection industry in her monthly newsletter, *The Safe Harbor: Debt Collection Law Update by Aylix Jensen*. This monthly newsletter provides an update of changes and developments in the law that impact the debt collection industry. It highlights new debt collection laws and practices, discusses what these may mean for the collection industry, and provides tips to ensure compliance. This article is featured in the March 2022 edition.**

On March 1, 2022, the CFPB released a report entitled, “Medical debt burden in the United States,” intended to highlight the complicated and burdensome nature of the medical billing system in the United States. In the report, the CFPB expresses concerns about medical debt collections and reporting, specifically the elevated credit reporting of medical debt resulting from the COVID-19 pandemic. The CFPB indicated that research shows \$88 billion in medical debt on consumer credit records as of June 2021. The report emphasizes the distinction between medical debt and other debt, noting that few people choose to take on medical debt and patients are often unaware how much they will be charged for a service or procedure.

In response to the report, CFPB Director Rohit Chopra states, “I am concerned that the credit reporting system is being weaponized as a tool of coercion to get people to pay medical bills they may not even owe.” Director Chopra notes that the scope of these problems is extraordinary and describes steps that will be taken by the CFPB to ensure that credit reporting is not used as a coercive tactic to force payment of questionable medical bills. The CFPB has announced that it intends to do the following:

1. The CFPB will hold credit reporting agencies accountable regarding their duty to cut off furnishers access to the credit reporting system if they are furnishing inaccurate information.
2. The CFPB will work with governmental agencies, including the Department of Health and Human Services, to ensure that patients are not coerced into paying medical bills more than the amounts due.
3. The CFPB will conduct additional research regarding the impact of credit reporting medical debt and assess whether it is appropriate for unpaid medical billing data to be included on credit reports at all.

On March 18, 2022, the three nationwide credit reporting agencies – Experian Information Solutions, Inc., Equifax Information Services, LLC, and TransUnion LLC – announced that effective July 1, 2022, paid medical collection debt will no longer be included on consumer credit reports.

Also, the time period before unpaid medical collection debt is reflected on a consumer's credit report will be increased from six months to one year. Lastly, in the first half of 2023, the credit reporting agencies will no longer include medical collection debt under at least \$500 on credit reports. The announcement states that these joint measures will remove nearly 70% of medical collection debt tradelines from consumer credit reports.

As a reminder, in March 2015, the credit reporting agencies reached a settlement which required the agencies to implement several consumer protections related to medical debt. Specifically, the settlement agreement required the agencies to wait 180 days from the date of the first delinquency before reporting medical debt on a consumer's credit report and to remove the debt from the report after it is paid by insurance. Thus, Director Chopra's comments reflect part of a larger trend to remove medical debt from consumers' credit reports.

## **Attorneys**

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## **Practice Areas**

Financial Services

