

Introduction to Medical Debt Research at CFPB

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Introduction to Medical Debt Research at CFPB

- Medical Debt: An area of continued interest for the Consumer Financial Protection Bureau (CFPB)
 - The CFPB regulates credit reporting and debt collection, and has taken a strong interest in the reporting and collecting of medical debt
- In research:
 - Leveraging the information contained in the CCP/CCIP and MEM:
 - How changes in medical collections reporting affected consumers
 - Medical collections and consumer finances in Rural Appalachia
 - Understanding required financial assistance/charity care
 - Leveraging the information contained in the Consumer Complaint Database:
 - Medical billing and collection issues described in consumer complaints
 - Consumer complaints related to medical credit cards and financing plans



Consumer Financial
Protection Bureau

Examples of Research Work Related to Medical Debt

- Leveraging the information acquired through market monitoring authority
 - Medical credit cards and financing plans
- Output:
 - Blogs, reports: <https://www.consumerfinance.gov/rules-policy/medical-debt/>

Recent Changes in Medical Collections Reporting

Presentation to the Academic Research Council

Ryan Sandler and Zachary Blizard

Consumer Financial Protection Bureau

December 1, 2023



Background

- ▶ The use of medical collections on credit reports is controversial
 - ▶ Medical collections perceived to be “not the consumer’s fault”
 - ▶ Medical collections can occur due to payment delays by health insurance
- ▶ The NCRAs have changed reporting policies for med. collections over time
 - ▶ NCAP required reporting a field indicating original creditor type, delayed reporting until at least 180 days past due
 - ▶ Starting July 2022, reporting delayed to 1 year, paid tradelines removed.
 - ▶ Starting April 2023, collections with original balance < \$500 removed.
- ▶ July 2022 CFPB report summarized state of medical collections through March 2022.

This Presentation

- ▶ Updates July Report to describe what has happened to medical collections in the CCP since March 2022
- ▶ We find:
 - ▶ As expected, substantial declines the number of consumers with medical collections, but somewhat larger decline than forecast
 - ▶ Changes disproportionately affect older Americans.
 - ▶ Remaining medical collections somewhat disproportionately in poorer and majority-minority census tracts.
 - ▶ Remaining medical collections concentrated in certain states, especially in the South

Table 1: Characteristics of Consumers with Medical Collections, Before, During and After Recent Reporting Changes

	Month Observed with Medical Collections		
	March 2022	December 2022	June 2023
Credit Score	598.2	591.8	582.0
At Least One Credit Card (Percent)	58.6	59.1	57.1
At Least One Auto Loan (Percent)	51.3	50.5	48.6
At Least One Non-Medical Collection (Percent)	35.5	36.9	40.9
No Other Tradelines (Percent)	18.0	18.3	18.5
Census Tract Percent Black	16.7	17.2	17.9
Census Tract Percent Hispanic	19.7	20.2	21.1
Census Tract Median Income (\$)	65,645.3	65,018.2	63,149.6
Age 18–29 (Percent)	15.0	16.0	15.8
Age 30–44 (Percent)	33.5	33.7	37.4
Age 45–61 (Percent)	31.2	30.9	31.2
Age 62 + (Percent)	18.1	17.7	14.8
Medical Collections Per Consumer	2.5	2.4	1.7
Average Total Balance (\$)	2,090.9	1,886.8	3,148.7
Medical Debts Less than \$500 (Percent)	65.2	62.2	0.0
Number of Consumers in CCP	786,321	635,679	325,788

Figure 1: Share of Consumers with Medical Collections, over time

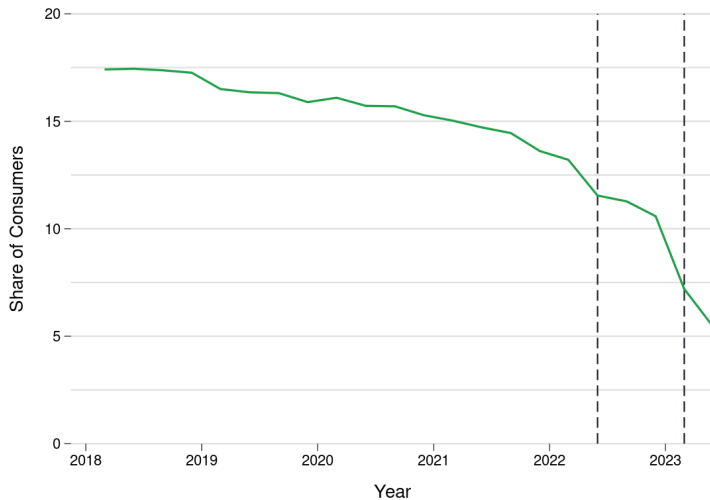


Figure 2: Share of Consumers with a Medical Collection the Previous Quarter who have all medical collections removed, over time

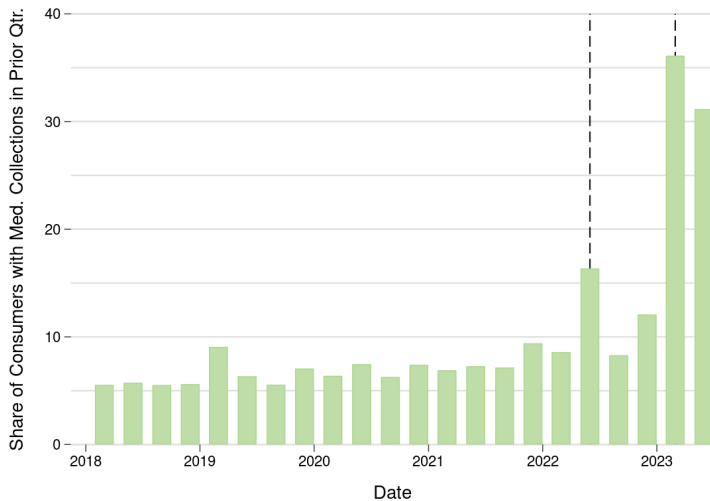


Figure 3: Share of consumers with medical collections in March 2022 and June 2023, by age group

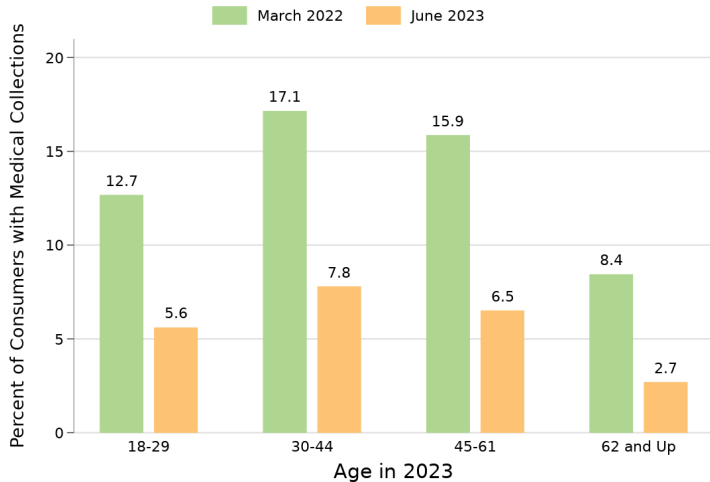
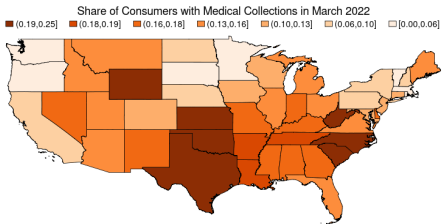


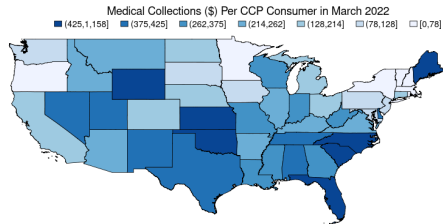
Table 2: DISTRIBUTION ACROSS CENSUS TRACT CHARACTERISTICS OF CONSUMERS WITH MEDICAL COLLECTIONS IN MARCH 2022, BY STATUS IN JUNE 2023

% of Consumers in tracts that are...	All CCP Consumers	Consumers with Med. Collections in 3/22		
		All	At Least One Med. Collection Removed by 6/23	All Med. Collections Removed by 6/23
Majority Black	6.3	10.4	10.1	9.9
Majority Hispanic	10.5	12.3	11.3	11.2
Majority White	73.3	68.0	69.7	70.0
Majority Other or No Majority	9.8	9.2	8.9	9.0
Median Income \$0 to \$50K	20.3	31.7	30.6	29.2
Median Income \$50K to \$75K	34.8	39.5	39.8	39.5
Median Income \$75K to \$100K	22.4	17.8	18.2	18.9
Median Income \$100K+	22.5	11.0	11.4	12.4
Number of Consumers in CCP	5,894,336	785,042	601,302	457,577

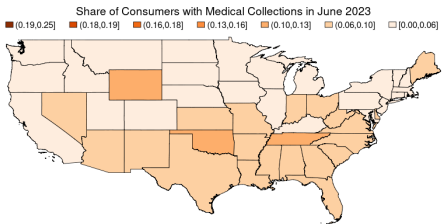
Figure 3: Changes in Medical Collections on Credit Records, by State



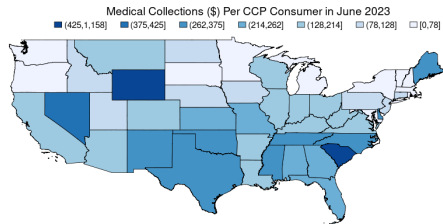
(a) Share of Consumers, March 2022



(b) Balances, March 2022



(c) Share of Consumers, June 2023



(d) Balances, June 2023

Discussion Questions

1. How should the CFPB monitor medical debt now that much of it is no longer reported on consumer credit records?
 - 1.1 Were medical collections tradelines ever a good indication of outstanding medical debt?
2. As more data becomes available after the reporting changes, what outcomes should the Bureau focus on to study the impact on consumers?
3. Industry stakeholders have expressed concern that consumers will be less likely to pay medical bills as a result of these changes and others under consideration by the Bureau. To what extent are medical collections specifically and credit reporting in general (as they currently exist) serving as a deterrent to moral hazard, as opposed to reducing information asymmetries for creditors?