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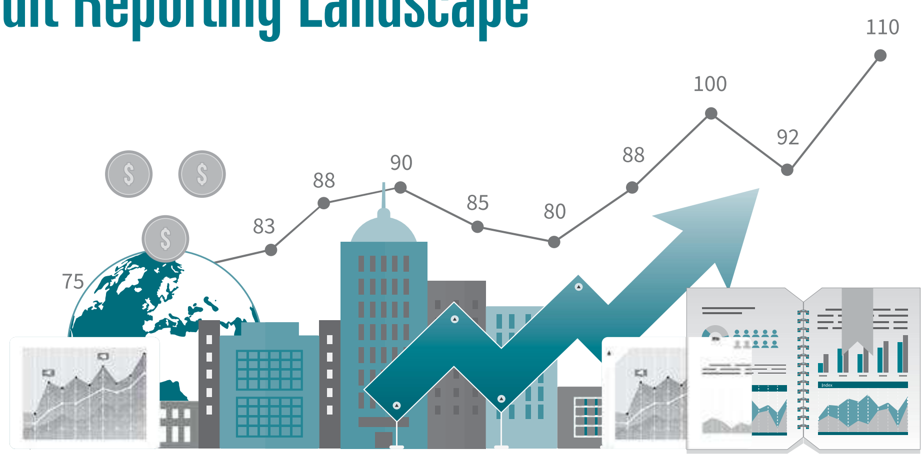
Understanding the Credit Reporting Landscape

By Katy Zillmer



The current credit reporting landscape is complicated—especially when it comes to medical debt.

Increased regulatory requirements, outside of the Fair Credit Reporting Act and Health Insurance Portability and Accountability Act, add to that complication—but ultimately agencies have the opportunity to decide what works best for them and their clients.

It's important to evaluate that decision on a regular basis based on feedback from clients and taking into account risks on the compliance front.

How it Started

The FCRA and HIPAA include various credit reporting requirements agencies must comply with in addition to standards from individual consumer reporting agencies (CRAs). The laws also permit the reporting of medical information to CRAs, with some restrictions.

Regulations increased as a result of a 2015 settlement agreement with multiple state attorneys general, while the three major nationwide CRAs—Experian, Equifax, TransUnion—launched the National Consumer Assistance Plan (NCAP), which took effect in September 2017.

Debt collection agencies or their clients generally have a period of seven years to report medical accounts, unless state law provides for a different time period. The seven-year reporting period begins to run 180 days after the date of delinquency.

The NCAP includes more requirements when it comes to the date of delinquency.

For example, the date of first delinquency with the original creditor needs to be determined by the provider and furnisher based on the underlying financial agreements and the creditor's policies for when an account becomes delinquent.

The 180-day reporting requirement after the date of delinquency is one of many factors that influence agencies' and clients' choice to engage in credit reporting.

"The new rules are not difficult to comply with, however, in general there's been a trend over the past couple of years where medical debt has been in the spotlight from a creditor standpoint and a regulatory standpoint," said Donna Nicholson Stief, executive director of the Credit Bureau of Lancaster County Inc.

ACA International members report that since the 2017 NCAP requirements took effect—and even before that—credit reporting, especially medical debt, has been a common topic of conversation in office meetings or at unit events. It has prompted discussions on The Hub, ACA International's online member community (http://community.acainternational.org/home), that show agencies go both ways when it comes to credit reporting and are continuously evaluating their policies.

Wayne McBride, president and CEO of DiRecManagement Inc., says he finds agencies are following tradition when it comes to their credit reporting practices. If credit reporting is part of their collections process or required by clients, agencies will continue to do so in compliance with the new NCAP requirements. If they had not previously

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reported consumers' accounts for their clients, they are not starting now.

"There is obviously a great deal of indecision about reporting to the bureaus. I think you just have to look at what's best for you and your client and realize there is a certain amount of risk out there," McBride said.

At DiRecManagement, credit reporting for medical debt, in compliance with the NCAP, is a part of the agency's process, but only after all collection and payment efforts are exhausted.

"We don't want to ding somebody's credit if there is a chance for them to pay," McBride said. "Our goal is to help the debt not to be reported if the debtor is willing to communicate with us. We don't report a lot of debtors that can prove to us that they don't have the ability to pay."

Bridging the Gap

The NCAP was designed to allow more time for consumers' insurance payments to be applied when they have a medical bill. It also enhances CRAs' ability to collect complete and accurate consumer information and will provide consumers more transparency and a better experience interacting with credit bureaus about their consumer credit reports.

In some cases, McBride's team will connect with consumers who say they have insurance to help with their payment after the 180-day waiting period has already passed, allowing even more time before credit reporting could occur.

"If I call a debtor and they tell me they have insurance, even beyond 180 days, we are not going to report them to the [CRAs] until we've exhausted insurance options," McBride said.

Before the medical debt credit reporting requirements officially changed last year, the Consumer Financial Protection Bureau had its eye on regulating medical debt collections. Additionally, the new credit scoring model has lessened the impact of an outstanding medical debt on a consumer's report, according to Nicholson Stief.

For agencies that do include credit reporting in their collections process, the 180-day requirement can create some challenges.

"I do think it's a good time to take a closer look and a deeper dive and see how much it is costing you."

– Donna Nicholson Stief

"The issue with the 180-day rule is it's 180 days from the first date of delinquency, not necessarily the first date of service," Nicholson Stief said. "Every single medical client that you have could potentially have a different date of delinquency, so it's not as simple as setting up your system to hold off on credit reporting for 180 days. It's 180 days, plus the number of days each client considers their delinquency date to be."

Agencies in compliance with all federal and state requirements and the NCAP are still a target for credit reporting disputes and litigious attorneys looking for minor errors they can take to court.

As a result, the Credit Bureau of Lancaster County is evaluating the pros and cons of credit reporting medical debt as well as adding additional focus and dedication to enhancing resources that will allow them to continue to grow their business and work with consumers on resolving rightfully owed debts. Nicholson Stief noted that many of the company's hospital clients have already elected to discontinue credit reporting.

"If we do decide to discontinue credit reporting medical debt, we can always start again if we want to," Nicholson Stief said. "But it's exciting to think about utilizing our time and our resources into other aspects of growing the business rather than contending with the robo-disputers, e-OSCAR, predatory attorneys and the complexities of some of the regulations."

Report and Review

Nicholson Stief said if her company does discontinue credit reporting, it will reevaluate its policies again after six months. "Many of our medical clients have already discontinued and there has been no negative impact to our business," she said. "We've had our eye on this for a few years."

"It was not one single issue but rather multiple changes to medical debt credit reporting that caused us to say, 'It's time to take a look at this,'" Nicholson Stief said. "There are other agencies that haven't taken a close look yet as far as not credit reporting and there are many other agencies I've spoken to that have found the costs, risks, ineffectiveness and the exposure to frivolous lawsuits far exceed any perceived value, so it's just an individual decision that each company needs to make."

McBride's agency will continue to include credit reporting in the collections process after working with consumers on their payment options and also plans to evaluate this approach regularly to ensure it's working well.

To make the best business decision for your company, you'll want to look at the benefits of credit reporting compared to the costs and compliance risks and connect with your staff and clients regularly to get their feedback.

"I do think it's a good time to take a closer look and a deeper dive and see how much it is costing you," Nicholson Stief said. "How much of your payments come in because of credit reporting and how much is it costing you to continue to do that?"

Katy Zillmer is ACA International's communications specialist.

For more information, ACA International members may access ACA SearchPoint™ document #1515, Credit Reporting Medical Accounts, and #1526, Disputes from Consumer Reporting Agencies to Furnishers Under the FCRA at www.acainternational.org/searchpoint.

REPORT:
Millennials Lag in Paying Medical Bills

Millennials are paying their medical bills at a slower rate than other generations, such as Gen X and Baby Boomers, according to research from TransUnion's Healthcare Millennial Report.

"Despite the vast majority of Millennials having health insurance, they tend to pay their medical bills at a slower rate than other generations," according to a news release on the report. "In fact, in 2016, 74 percent of Millennials did not pay their medical bills in full, compared to 68 percent for Gen X and 60 percent for Baby Boomers. Yet, seven in 10 Millennials said they would pay their medical bills in full if they had the money to do so."

TransUnion also found that 57 percent of Millennials have "little to no understanding of their health insurance benefits. This is significantly lower than other generations, including Gen X (50 percent) and Baby Boomers (42 percent)."

"Millennials are facing a tough road—in some ways they were placed at an early disadvantage compared to previous generations. As Millennials were just entering the workforce and likely had less disposable income, both insurers and employers began cost-shifting payments," Jonathan Wiik, principal of Healthcare Strategy at TransUnion Healthcare, said in the news release. "Despite these challenges, our research indicates that Millennials are indeed interested in responsibly paying their medical debts, while at the same time, healthcare providers will need to get innovative to make the payment process more manageable for Millennials."

According to the report, including TransUnion healthcare data and information from an October 2017 survey of 1,576 consumers, about half of Millennials (46 percent) would be more likely to pay their medical bills if they had an estimate of their healthcare costs at the time of service with their healthcare provider.

"Healthcare providers looking to improve cash flow from Millennial patients should look for ways to encourage payments at the time of service while offering more educational tools to ensure they better understand the complex healthcare landscape," John Yount, vice president for Healthcare Solutions at TransUnion, said in the news release.

Additional findings from the TransUnion Healthcare report include:

- 35 percent of Millennials do not plan for medical or healthcare expenses as part of their budget.
- 51 percent of Millennials do not feel prepared to manage healthcare/medical expenses; compared to 42 percent of Gen-Xers and 33 percent of Baby Boomers.
- 40 percent of Millennials compare the cost of services by healthcare provider compared to 29 percent of Gen-Xers and 22 percent of Baby Boomers.

More information: *http://bit.ly/2EVPrHj*

NEWS & NOTES

Revenue Cycle Trends to Watch in 2018

Medicare alternative payment models, value-based care and hospital mergers are among the top revenue cycle trends to watch in 2018, according to Revcycleintellingence.com. Providers are still in the midst of the transition to value-based care and the strategies for turning away from fee-for-service may continue to change in 2018. This transition will help providers attract patients through affordable, high-quality care in alternative payment models. *http://bit.ly/2rkJCB7*

CMS Announces New Voluntary Bundled Payment Model

The Centers for Medicare & Medicaid Services (CMS) Center for Medicare and Medicaid Innovation announced the launch of a new voluntary bundled payment model in January. "Under traditional fee-for-service payment, Medicare pays providers for each individual service they perform. Under this bundled payment model, participants can earn additional payment if all expenditures for a beneficiary's episode of care are under a spending target that factors in quality," according to CMS. *http://go.cms.gov/2qQ7lc3*

We Want To Hear From You

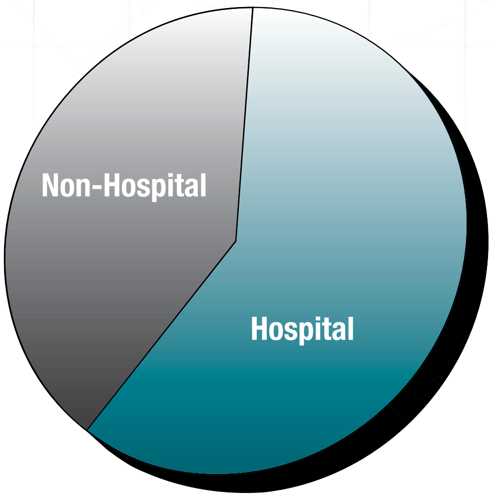
Pulse is published for ACA healthcare collection agencies to provide current industry information for healthcare providers. ACA International welcomes article ideas and submissions for consideration in *Pulse*. Ideas may be submitted to ACA's Communications Department at *comm@acainternational.org*.

For more healthcare collections news, visit ACA's Healthcare Collections page at *www.acainternational.org/pulse*.

datawatch

A Look At Healthcare Related Debt

ACA International recently released the 2017 Ernst & Young survey which provides an in-depth overview of the economic importance of the third-party debt collection industry on the U.S. and individual state economies. Healthcare related debt (from hospitals and non-hospitals) is the leading debt category, accounting for nearly 47 percent of all debt collected in the industry. Hospital collections accounts for 28.2 percent of all healthcare related debt and non-hospital debt is 18.6 percent.



Source: *The Impact of Third-Party Debt Collection on the U.S. National and State Economies in 2016 prepared for ACA International by Ernst & Young.* *www.acainternational.org/ernst-young*

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is a monthly bulletin that contains information important to healthcare credit and collection personnel. Readers are invited to send comments and contributions to:

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