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PULSE

Report Breaks Down Medical Debt Burden on Americans

Americans in poor health, uninsured individuals and Black Americans shoulder the brunt of the nation's medical debt burden, according to Kaufman Hall data.

Approximately 8% of Americans carry medical debt, with certain populations—such as those in poor health, uninsured individuals, and Black Americans—bearing a disproportionate share of the nation's total medical debt burden, according to recent data from Kaufman Hall.

The report highlights that 14% of Americans with medical debt owe over $10,000, representing nearly three-quarters of the nation's total medical debt. Meanwhile, nearly 50% of Americans with medical debt owe less than $2,000, accounting for just 5% of the total medical debt burden.

In an effort to alleviate some of this debt's impact on credit reports, the three major credit bureaus, Equifax, Experian, and TransUnion, announced in April 2023 that any medical debt collection with an initial reported balance less than or equal to $500 would be removed from U.S. consumer credit reports.

"We believe that the removal of medical collection debt with an initial reported balance of under $500 from [U.S.] consumer credit reports will have a positive impact on people's personal and financial well-being," the CEOs of the three credit bureaus said at the time.

However, this policy only benefits consumers with smaller amounts of medical debt, according to the Kaufman Hall report, and does not address the challenges faced by those who hold the majority of the debt burden.

In June 2024, the Consumer Financial Protection Bureau proposed a new rule to further mitigate the impact of medical debt on credit reports, which ACA International has been covering and focusing on in advocacy efforts highlighted on the next page.

While the removal of medical debt from credit reports could provide temporary relief, according to Kaufman Hall, it noted that policymakers are increasingly considering more direct forms of relief.

One example is the American Rescue Plan, which allocated $7 billion to state and local governments to eliminate medical debt. Additionally, in July 2024, the Centers for Medicare and Medicaid Services (CMS) approved North Carolina's medical debt relief incentive program, allowing the state to use its Medicaid program to encourage hospitals to eliminate over a decade of existing medical debt.

Read the Kaufman Hall report here.

ACA's Comments to CFPB Backed by Research on Impacts of Proposed FCRA Rule

The comments drive home the broad consequences of the proposed rule based on a variety of member stakeholder feedback and ACA's data-driven research and industry polls.

ACA International submitted comprehensive comments (PDF) in partnership with Brownstein Hyatt Farber Schreck LLP to the Consumer Financial Protection Bureau last month based on grassroots advocacy, data-driven research and economic analysis of the bureau's flawed proposed rule on the Fair Credit Reporting Act.

The bureau received just over 1,000 comments from business and health care stakeholders, associations and consumers by the Aug. 12 deadline.

ACA's comments highlight how debt collectors are instrumental in helping patients resolve their accounts by working with hospitals and hospital trade associations on health care revenue cycle management. ACA's comments also point out the CFPB's misguided approach to the proposed rule, which is outside of its jurisdiction.

The comments, also shared directly with members of Congress, show in detail the significant effects these proposed changes would have on all consumers and patients, lenders, debt collection agencies and health care providers, especially those that are small businesses.

"ACA's comments on the proposed rule are a result of in-depth research and data-driven economic analysis to identify many of the impacts on small businesses not done so by the CFPB in the rulemaking process to date," said ACA CEO Scott Purcell. "Due to the complexity of the American health care landscape, including the role of private and government insurance, we urged the CFPB to pause the rule and conduct research on all of the impacts from this change before risking reduced access to care for significant numbers of patients."

ACA asks the CFPB to withdraw its proposed rule because:

- It has not sufficiently addressed the concerns raised by multiple stakeholders, including the U.S. Small Business Administration (SBA) Office of Advocacy, during the Small Business Review Panel process.
- It does not have sufficient data or research to support the very basis of the proposed rule that medical debt is not predictive and makes many other insufficient claims related to the usefulness of information about medical debt for lenders.
- The CFPB does not have the legal authority to rewrite the FCRA or to make the changes outlined in its proposed rule to current law and regulations. The recent *Loper Bright* decision from the U.S. Supreme Court and the Major Questions Doctrine clearly prohibit the politically driven overreach that the CFPB and White House are attempting in the height of the election season.
- Most concerning, however, are the many negative consequences that will occur if the CFPB moves forward with the proposed rule, as outlined in ACA's comment letter and research (PDF) from Dr. Andrew Nigrinis, Ph.D., a former CFPB economist. Consumers around the country will face increased costs for both medical care and credit, less reliable health care options, more litigation, and a variety of other negative outcomes as a result of the CFPB's uninformed policymaking.

"ACA and its members empathize with concerns that health care in this country is too expensive, and that work should be done in this area by the appropriate regulators and lawmakers," Purcell said in the comments. "But the CFPB's proposed rule does not have jurisdiction over the U.S. health care system, and its attempt to rewrite a federal law related to credit reporting does not solve that core issue because it focuses on the final stages of a lengthy and complex process of delivering and paying for medical care."

Research and Stakeholder Involvement

ACA emphasized the impact of the proposed rule by sharing results from a poll conducted during a webinar with the Healthcare Financial Management Association, Healthcare Credit Reporting Rule: What You Need to Know. The results showed that components of the bureau's proposed rule could impact payments and collections in the U.S. as well as liquidation rates.

The insurance market is at risk for a "slippery slope" when there is a shift in cross-subsidization in health insurance between low-risk young and healthy individuals and high-risk older and sicker individuals, ACA notes, based on Nigrinis' research.

According to webinar participants' feedback on the "slippery slope" concept presented in ACA's comments, 125 out of 167 (74.9%) said there is a moderate to high chance regulatory changes to medical debt credit reporting proposed by the CFPB could cause patients to choose not to have health insurance.

ACA also shared with the CFPB that 72% of poll respondents said they will consider requiring full or partial payment in advance from patients for non-emergency procedures.

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NEWS & NOTES

Recent Health Care Cyberattacks Cause Operational Disruptions

In late July and early August 2024, the health care sector experienced multiple cyberattacks that significantly disrupted operations and affected patient care. McLaren Health Care, a Michigan-based health care system with 13 hospitals and various facilities, faced a cyberattack on Aug. 6, 2024, which led to disruptions in its IT and phone systems. Although McLaren's facilities remained largely operational, the health system had to implement downtime procedures, cancel some non-emergency appointments, and ask patients to bring printed documents for upcoming visits.

Similarly, blood donation nonprofit OneBlood suffered a ransomware attack on July 29, 2024, which forced it to operate at reduced capacity and slowed down blood labeling processes. Despite these challenges, OneBlood remained operational and continued blood drives, relying on support from other blood centers and the AABB Interorganizational Disaster Task Force to maintain supply.

Read more here.

Rural Hospitals Suffer Financially from Lack of Telehealth Options

A study published in the *Review of Financial Studies* reveals that rural health care providers are losing patients and revenue to urban providers offering telehealth services. Researchers from the University of Tennessee, Penn State University, and Columbia Business School analyzed data from 2009 to 2018 and found that rural hospitals, which lack telehealth options, face significant financial challenges, including reduced revenue, higher capital costs, and credit rating downgrades. These challenges can lead to potential closures, reducing access to acute care for rural communities.

Other studies further emphasize the benefits of expanding telehealth in rural areas. Research shows that telehealth increases appointment completion rates among rural residents, especially for those living farther away from healthcare facilities or with severe health conditions. Another study highlighted the potential cost savings of nearly $43 million annually from expanded telehealth access in rural areas, particularly through reduced emergency department visits and preventable admissions.

Read more here.

Impacts of Proposed FCRA Rule cont. from page 2

"This means that those consumers who cannot afford the out-of-pocket costs for care will be forced to use high-cost financing methods like credit cards and payday loans, or in the worst case, forego medical treatment altogether," Purcell told the CFPB. "This predictably will hurt consumers generally, but will disproportionately harm traditionally underserved minority and rural communities the most."

In addition to ACA, stakeholders from the health care industry, representatives of financial institutions and other lenders, credit bureaus, the SBA Office of Advocacy, and a variety of other commenters have voiced opposition to the CFPB's proposal on the comment docket.

In its comments (PDF), the SBA Office of Advocacy stated that, "The CFPB prepared a certification and an initial regulatory flexibility analysis (IRFA) for the proposed rule. Advocacy asserts that neither the certification nor the IRFA complies with the requirements of the RFA."

The Office of Advocacy's comments reflected input from ACA International leadership representing small entities as part of the CFPB's Small Business Review Panel required in the rulemaking process last fall. ACA leadership also met with the Office of Advocacy at ACA's Convention & Expo the last two years to share input on the impact of the proposed rule. Small entity representatives including ACA members also participated in telephone conferences with the CFPB, Office of Advocacy and Office of Information and Regulatory Affairs in advance of the panel meetings.

What's Next?

While the comment period has ended, ACA will not slow in its advocacy and has opportunities for health care providers to connect with members of Congress through our online advocacy resources webpage.

U.S. Rep. Patrick McHenry, R-N.C., chair of the House Financial Services Committee, who has pushed back on CFPB overreach causing regulatory burdens, as well as focused on changing the bureau's funding and leadership structure, submitted a letter to the CFPB on the proposed rule.

ACA leadership has met with McHenry's office and submitted letters to the Hill on these issues.

According to the CFPB, once the rule is finalized it will take effect 60 days after publication in the *Federal Register*.

Although, according to a summary from Brownstein Hyatt Farber Schreck LLP, the future of the rule and its timing also likely depends on the outcome of the 2024 general election.

"The rule, if finalized, will qualify for the time frame in which the Congressional Review Act (CRA) will give the 119th Congress an opportunity to roll it back," according to Brownstein. "The CRA enables Congress to issue a joint resolution of disapproval to invalidate a final rule in its entirety."

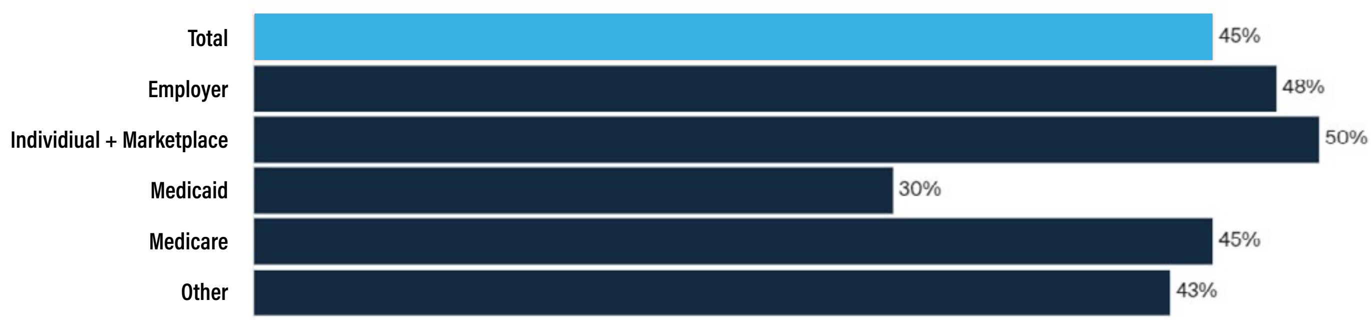
ACA appreciates the contributions of members who also filed comments with the CFPB, contributed feedback for ACA's comments or encouraged their health care provider clients and their trade associations to submit comments.

DATAWATCH

Survey Reveals Widespread Medical Billing Errors and Coverage Denials Among Insured Americans

A recent survey by the Commonwealth Fund reveals that insured, working-age adults in the U.S. frequently face medical billing errors and coverage denials, leading to significant health and financial consequences. Nearly half (45%) have received bills for services they believed should have been covered, and 17% were denied coverage for a doctor-recommended service. These issues often result in delayed care and worsening health conditions, but many Americans are unaware of their rights to dispute these charges. Among those affected, fewer than half contested their bills or denials, largely due to a lack of awareness, particularly among younger adults, those with lower incomes, and Hispanic respondents.

Percentage of insured aults ages 19-64 who reported receiving a bill or being charged a copayment for a health care service that they thought was free or covered, by type of insurance coverage.



Source: *Commonwealth Fund Affordability Survey (2023).* https://tinyurl.com/27yv4m73

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