



Consumer Federation of America

September 20, 2010

Re: Urge support of H.R 3421, Medical Debt Relief Act, on House Floor

Dear Representative:

The Consumer Federation of America strongly urges you to vote in support of H.R. 3421, the Medical Debt Relief Act, which is scheduled to be considered on the House Floor soon. H.R. 3421 would amend the Fair Credit Reporting Act to prohibit paid-off or settled medical debt from appearing on a consumer's credit report. This would insure that Americans who have fully paid their medical bills are not penalized for bad health with a poor credit report.

As medical debt is usually incurred for different reasons than other types of consumer debt, it should be treated differently by credit reporting agencies. Consumers rarely take on medical debt voluntarily. Individuals sent to the emergency room or told that they must undergo treatment have little real choice about whether to run up debt. When a person's health or life is on the line, the question of cost is far less relevant than when one is buying a television.

Moreover, the exact costs of medical care are often not known until well after the care is provided. The multiple bills that result from a medical emergency can be very complex. Upon receiving a bill, consumers must often decipher and negotiate with multiple providers about these charges. Insurance companies have separate contracts with each provider that stipulate what they will pay. Different billing codes are used by health care providers and hospitals. Medical bills are often non-itemized, have incorrect data and duplicate charges.¹ Thus, it is unsurprising that one study found that close to 40 percent of Americans did "not understand their medical bills or explanation of benefits statements well enough to know what services they are paying for, why they owe that amount, and if that amount is correct... 17 percent of consumers do not know whom to pay – the provider or insurance company... [and that] 31 percent of Americans have let a medical bill go to a collection agency."²

¹Peter Davidson, *8 Most Common Hospital Billing Errors*, Bankrate.com, (Feb. 2004).

<http://www.bankrate.com/brm/news/insurance/20040206b1.asp>

Consumers Union, *Check Medical Bills for Errors*, Consumer Reports, (Aug. 2009).

<http://www.consumerreports.org/cro/money/personal-investing/check-medical-bills-for-errors/overview/index.htm>

² Intuit Inc. *Intuit Financial Healthcare Check-Up Shows Americans Confused About Medical Statements*, Quicken Health Group, (Apr. 2010).

http://about.intuit.com/about_intuit/press_room/press_release/articles/2010/AmericansConfusedAboutMedicalStatements.html

In 2003, the Federal Reserve found that over 50 percent of collection agency actions reported to credit bureaus were from medical bills.³ Once medical debt is reported to a credit bureau, it can significantly reduce consumers' credit worthiness – sometimes dramatically – restricting their access to credit, insurance, rental housing and even employment. Despite their confusion over the billing process, once consumers realize what debts they owe, they often pay them. Over 54 percent of paid-off collections are associated with medical bills.⁴ Moreover, “some credit evaluators report that they remove collection accounts related to medical services from credit evaluations because such accounts often involve disputes with insurance companies... or because the accounts may not indicate future performance on loans.”⁵

The recession and the rising costs of health care have hit many families very hard. Consumers who have paid off their medical bills on terms that are agreeable to their creditors despite a confusing billing process and the unusual nature of the transaction should not be penalized further. The Consumer Federation strongly urges you to vote in favor of the bill.

Sincerely,



Travis Plunkett
Legislative Director



Darby Hull
Legislative Assistant

³ Avery, Robert B., Paul S. Calem, Glenn B. Canner, & Raphael W. Bostic, *An Overview of Consumer Data and Credit Reporting*, Federal Reserve Bulletin, vol. 89, pg. 69 (Feb. 2003).

<http://www.federalreserve.gov/pubs/bulletin/2003/0203lead.pdf>

⁴ *Ibid.* at 69.

⁵ Avery, Robert B., Paul S. Calem, Glenn B. Canner, *Credit Report Accuracy and Access to Credit*, Federal Reserve Bulletin, vol. 90, pg. 312 (Summer 2004). http://www.federalreserve.gov/pubs/bulletin/2004/summer04_credit.pdf