

The CFPB's Work on Medical Debt

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ABOUT US



We're a national organization dedicated to building the power of people to create a health system rooted in race equity and health justice and a society where health is a right for all. Together with partners, we're building a powerful, united movement with a shared vision of and strategy for a health system accountable to all people.

300+ partner organizations at the local and state level

45+ states where we do our work

9 states where we've incubated health advocacy organizations

Aracely
Storyteller and advocate

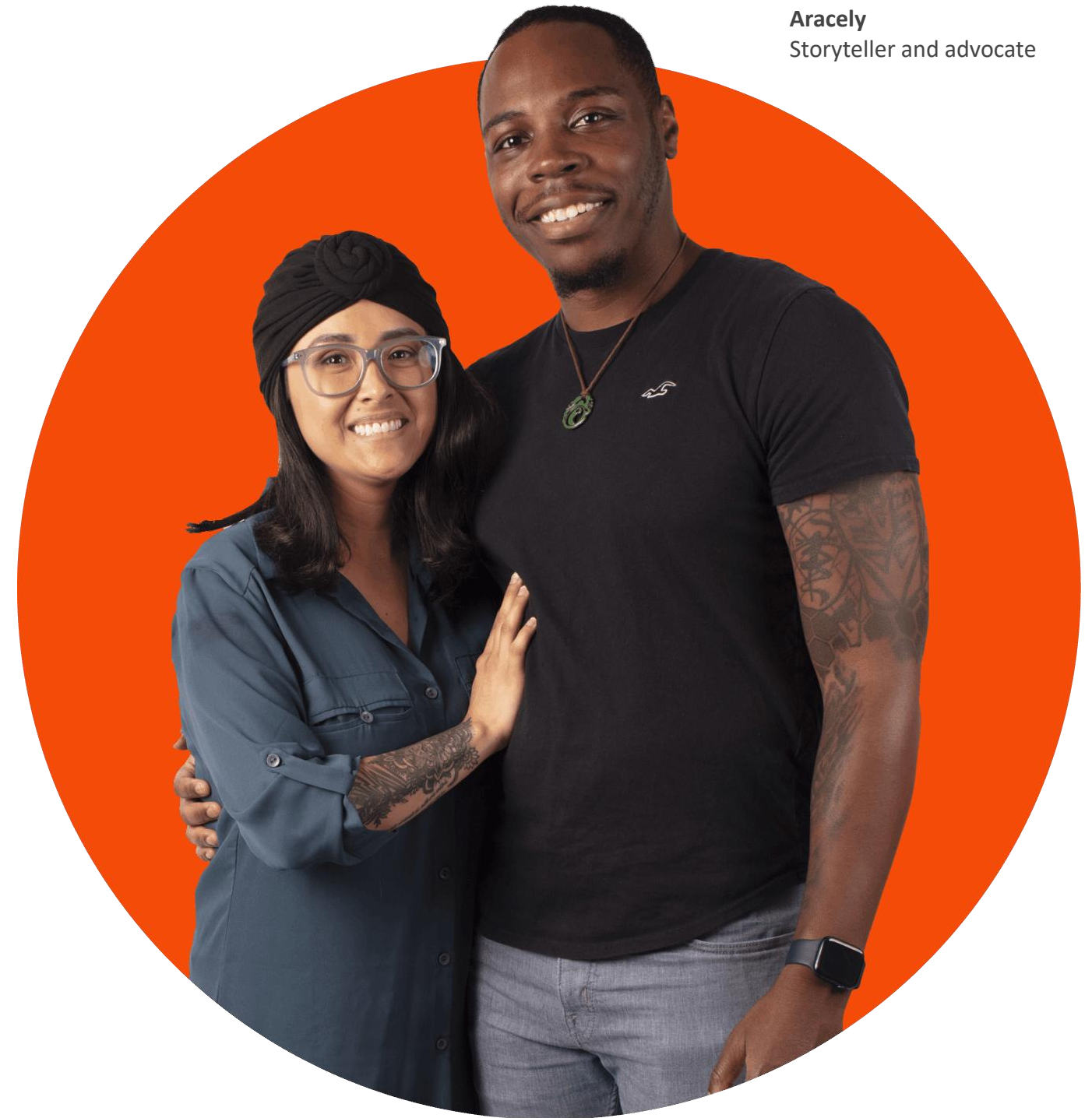




Photo Credit: Children's Alliance, Seattle, WA

Medical Debt: Background

- **Prevalence:** Four in 10 U.S. adults have unpaid medical or dental bills. That's about 100 million people.
- **Insurance:** Medical debt is more common among the uninsured. However, insured individuals also have medical debt due to high-deductible plans, cost-sharing, and claims denials.
- **Unpredictability:** Seven in ten adults with medical debt incurred that debt from a one-time or short-term medical expense, such as a single hospital visit or treatment for an accident.



Medical Debt: Disproportionate Impact

- **Black and Latino individuals** are more likely to carry medical debt.
- **New mothers** are more likely to have medical debt.
- **Individuals with disabilities or chronic conditions** are more likely to have medical debt.
- **Nearly half of cancer patients and survivors** incur medical debt to pay for their care. This is not the result of poor planning – 98 percent *had health care coverage at the time they incurred this debt*.
- **Over one in five seniors** in the U.S. have medical debt. Medicare cost-sharing can be significant, and traditional Medicare generally does not cover dental, vision, or hearing care.
- **Veterans** struggle with medical debt when the VA does not reimburse care from outside providers, or when providers improperly refer bills to debt collectors which were paid or should have been paid by the VA.



CFPB's Credit Reporting Rule

- In Jan. 2025, the CFPB finalized a rule to remove medical debt from credit reports.
- Currently, 15 million U.S. adults have medical debt on their credit reports.
- This rule would raise their credit scores by an average of 20 points, and it would lead to an estimated 22,000 additional mortgages each year.
- However, this rule is currently on hold – leaving medical debt on credit scores.
 - The rule was stayed (paused) for 90 days by a federal court in Texas.
 - All CFPB final rules that have not yet gone into effect are also stayed, including the medical debt rule.
 - Congress may bring a Congressional Review Act challenge to nullify the medical debt rule.



Talking Points on the CFPB's Medical Debt Rule

- **Medical debt is not like other debts.** No one chooses to get sick or hurt.
- **Studies show that medical debt is not a good indicator of creditworthiness.** One of the two main credit scoring providers stopped considering medical debt because it was not helpful. Nine states have already banned credit reporting for medical debt.
- **Removing medical debt from credit reports relieves pressure to pay bills that are not owed.** Medical bills often include errors, such as bills that have already been paid or bills that should have been covered by insurance. People often pay inaccurate medical bills because they cannot risk hurting their credit score.
- **Taking medical debt off credit reports improves access to affordable credit.** Medical debt should not prevent people from getting a loan for a car, a house, or to start a new business.



Shuttering the CFPB Hurts People with Medical Debt

- When the CFPB is functioning, the consumer complaint process helps individuals resolve issues with inappropriate medical debt collections.
 - After individuals submit medical debt complaints to the CFPB, a significant number of debt collectors stopped collection efforts. *This indicates that many medical debt collectors are contacting the wrong individuals, for the wrong amount, or for debts that the collector is not entitled to collect.*
 - Under this Administration, the CFPB is processing 80% fewer consumer complaints daily.
- In addition, the CFPB pursues enforcement actions against unscrupulous medical debt collectors.
 - For instance, in Dec. 2023, the CFPB shut down a collector for illegal medical debt collection practices, and the company agreed to pay a penalty to the CFPB's victims relief fund.
- **If the CFPB is not able to continue responding to consumer complaints and bringing enforcement actions, more people will face medical debt collections for charges they may not even owe.**





Conclusion

Tell Congress that the CFPB's medical debt work is important to you.

We want the credit reporting rule to go into effect so that medical debt is removed from credit reports. **We oppose its blockage, either through delays or a Congressional Review Act challenge.**

We want the CFPB to resume its work so that people have protection against improper medical debt collections.



Resources

- Feel free to follow up with any questions by email: Miriam Straus, mstraus@communitycatalyst.org.
- Explainer video: Why Removing Medical Debt From Credit Scores Matters, <https://www.youtube.com/watch?v=vdQ5oyLFLBQ>
- Share your medical debt story: https://stories.communitycatalyst.org/question/med_debt_daily
- Talking points on medical debt and credit scores: <https://docs.google.com/document/d/1wmnce3q9jNxe06WpMqHorAgaMhwlsMvT/edit?tab=t.0>

