THIRD WAY

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Six Steps the Biden Admin Has Taken to Reduce Medical Debt

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More than 100 million Americans have debt from medical bills, and the consequences can be debilitating. Some burn through their retirement savings to pay for medical care. Others cut back on other costs. And those who can't pay can face wage garnishment, home foreclosure, or bankruptcy.

America is facing a medical debt crisis, but the Biden Administration has taken six major steps to reduce the burden of existing medical debt on Americans. Detailed below, these actions include: 1. Abolishing billions of dollars of medical debt, 2. Removing medical bills from credit reports, 3. Investigating unlawful medical debt collection and reporting, 4. Investigating predatory medical credit cards, 5. Protecting Americans from junk insurance, and 6. Expanding coverage.

1. Abolishing Billions in Medical Debt

States, counties, and cities are leveraging American Rescue Plan (ARP) funds to **abolish nearly $7 billion in medical debt** for almost 3 million Americans. Cook County, IL was the first to use economic relief funds from the American Rescue Plan to partner with Undue Medical Debt (formerly RIP Medical Debt), a non-profit that buys medical debt for pennies on the dollar and abolishes it. To qualify for debt relief, individuals must have an income up to 400% of the federal poverty line or have medical debt that's more than 5% of their annual income. Cook County spent $12 million to abolish over $280 million in medical debt for over 158,000 residents. Several local and state governments are following suit:

- Akron, OH spent $500,000 to relieve up to $50 million in medical debt.
- Louis, MO spent $800,000 to relieve up to $80 million in medical debt.
- Paul, MN spent $1.1 million to relieve $110 million in medical debt.
- Cincinnati, OH spent $1.5 million to relieve up to $150 million in medical debt.
- Cleveland, OH spent $1.9 million to relieve over $200 million in medical debt.
- Lucas County, OH spent $1.6 million to relieve up to $240 million in medical debt.
- New Orleans, LA spent $1.3 million to relieve $130 million in medical debt.
- Pittsburgh, PA spent $1 million to relieve $115 million in medical debt.
- Wayne County, MI spent $5 million to relieve up to $700 million in medical debt.
- Connecticut is using $6.5 million to relieve as much as $1 billion in medical debt.
- Pennsylvania proposed $4 million to relieve $400 million in medical debt.
- New York City, NY proposed $18 million to relieve $2 billion in medical debt.
- New Jersey proposed $10 million to relieve near $1 billion in medical debt.
- Arizona is using $30 million to relieve up to $2 billion in medical debt.

2. Removing Medical Bills from Credit Reports

Medical debt accounts for more than half of all debt on credit reports, though it's typically a poor predictor of credit worthiness. Its inclusion destroys credit scores and makes it hard for many people to find housing or access credit cards, loans, insurance, etc.—often keeping people in a cycle of poverty. After some pressure from the Consumer Financial Protection Bureau (CFPB), the three largest credit bureaus (TransUnion, Equifax, and Experian) announced in 2022 that they would remove cleared medical debts from credit reports. While this is great progress, 15 million Americans still have medical bills on their credit reports.

The CFPB proposed a rule last week that would remove medical bills from consumers' credit reports and stop creditors from considering medical debt when evaluating loan applications. This step would remove as much as $49 billion of medical debt from credit reports and increase credit scores by an average of 20 points for 15 million Americans. And it would lead to the approval of approximately 22,000 additional mortgages every year. The rule would also prohibit lenders from taking medical devices as collateral for a loan or repossessing medical devices, like wheelchairs, if they're unable to repay their loan.

3. Investigating Unlawful Medical Debt Collection and Reporting

The CFPB also received thousands of consumer complaints about illegal medical debt collection in 2022. Patients reported being pursued for medical bills that had already been paid, were inaccurate, or weren't even theirs. Some debt collectors use deceptive tactics or coercive credit reporting to get people to pay debts, and the Biden Administration is cracking down on it. The CFPB shut down a Pennsylvania company in December for pursuing patients without ensuring the debts were accurate. And they fined an Indiana company for violating medical debt collection laws.

4. Investigating Predatory Medical Credit Cards

Between 2018 and 2020, people spent $23 billion on health care expenses using medical credit cards, and $1 billion on deferred interest payments. Medical credit cards are infamous for having high interest rates and confusing terms of service, leaving many patients with more debt. They were primarily used to cover non-traditional care, such as fertility services or cosmetic surgery. But more and more providers are encouraging patients to use the cards to cover a broader set of services, including emergency room visits. Some providers have been accused of pushing medical credit cards on patients, even when care could otherwise be covered by insurance or financial assistance programs, putting patients into unnecessary debt. This issue affects millions, with the most popular medical credit card alone having more than 11 million cardholders. The Consumer Financial Protection Bureau, U.S. Department of Health and Human Services, and U.S. Department of Treasury have launched a joint investigation into the legality of medical credit cards.

5. Protecting Americans from Junk Insurance

Finally, the Biden Administration is rolling back the Trump Administration's expansion of junk insurance plans—"short-term" health insurance plans that are exempt from many ACA protections. These plans are meant to act as temporary insurance for anyone who might have lost coverage through a job or otherwise have a gap in coverage. But these plans can discriminate against people with pre-existing conditions, impose spending limits on care, and provide limited coverage for basic medical services. Companies often use misleading information to trick consumers into buying these products that leave them with thousands of dollars in medical expenses. And millions of Americans are falling for it.

The Biden Administration enacted two changes under the final rule. The first limits the length of short-term insurance plans to three months instead of the three years the previous administration allowed for. This ensures these plans are truly short term. The second rule requires companies to clearly disclose the limits of their benefits to protect consumers from misleading or predatory products.

6. Expanding Coverage

The Obama and Biden Administrations have cut uninsured rates in half since the implementation of the Affordable Care Act. In 2022, the number of uninsured people was down to 27.6 million from 48.6 million in 2010. The Affordable Care Act made health insurance more accessible for American families and expanded access to Medicaid coverage for low-income individuals. This progress wouldn't have been possible without the Biden Administration's expansion of Affordable Care Act tax credits in the American Rescue Plan and Inflation Reduction Act. Now, four out of five ACA customers can find insurance plans for $10 or less a month. In the last three years, four more states have expanded Medicaid to working poor adults, leaving only 10 states without that coverage. Increasing access to affordable health insurance means fewer people are stuck with large medical bills and crippling debt. Universal coverage is how we end the medical debt crisis.

Conclusion

Millions of Americans are struggling with medical debt and high health care costs. The Biden Administration is lowering health care costs, abolishing medical debt, and protecting consumers from predatory practices.