

Credit Bureaus Dramatically Reduce Medical Debt Credit Reporting

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On March 18, the three nationwide consumer reporting agencies — Equifax, Experian, and TransUnion (NCRAs) — [announced](#) plans to change how medical debt will be reported on credit reports. The joint measures will result in the removal of nearly 70% of medical collection debt records from credit reports.

The announcement included the following three major changes, with implementation starting on July 1:

- Any paid medical collection debt will no longer appear on a consumer’s credit report;
- The NCRAs will extend the period before an unpaid medical debt can be reported from the current period of six months to one year; and
- In the first half of 2023, the NCRAs will no longer include medical collection debt under \$500 on credit reports.

This change follows a 54-page [report](#) released by the Consumer Financial Protection Bureau (CFPB) in early March that detailed the effects of medical debt on consumers. The CFPB report focused on issues related to the U.S. health care system and how it is supported by a “billing, payments, collections, and credit reporting infrastructure where mistakes are common, and where patients often have difficulty getting these errors corrected or resolved.”

The CFPB report also highlighted the differences between medical debt compared to other types of consumer debts. These differences include that people rarely plan to incur medical debt and that two-thirds of medical debt are the result “of a one-time or short-term medical expenses arising from an acute medical need.” Unlike other types of consumer debt, consumers also lack the ability to “shop around” for medical services. Choice in medical services is limited by a number of factors, including insurance networks, emergency need, and a lack of transparency in pricing.

The press release accompanying the CFPB’s report added even more pressure on the use of medical debts for credit underwriting, dropping a not-so-subtle hint on the application of the disparate impact theory by stating that the reporting of medical debt causes a disparate impact on Black and Hispanic consumers and that “medical

billing data on a credit report is less predictive of future repayment than reporting on traditional credit obligations.”

In a joint statement, the NCRAs recognized that “medical collections debt often arises from unforeseen medical circumstances” and that changes to the way medical debt is reported “are another step we’re taking together to help people across the United States focus on their financial and personal wellbeing.”

Troutman Pepper will continue to monitor any updates released by the NCRAs and the CFPB as it pertains reporting medical debt and changes within the consumer financial services industry generally.

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