A BAD DEAL:

Why you don't want (medical credit) cards in your hand

U.S. PIRG Education Fund

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Introduction

News headlines have amplified the evidence of rising health care prices and families struggling to pay their medical bills. And the financial industry has responded with their own version of a solution: the medical credit card. But who is benefiting?

The Biden administration issued a warning in May 2023 about the dangers of medical credit cards. In July three federal agencies issued a request for information (RFI), to gain more understanding of the impact of medical credit cards on individuals and families. This report explains the new financial product and why it can add costs to an already high medical bill. We demonstrate the prevalence of medical credit card debt in Oregon in bankruptcy filings. And we offer alternative steps patients can take to lower and pay off their medical bills.

What are medical credit cards?

“Medical credit cards” are different from regular credit cards in a number of ways. They are limited to charges associated with medical care expenses. These relatively new financial products attract people by offering “deferred interest” - 0% APR interest for an introductory period. Unfortunately patients may be unaware that deferred interest means that if they miss a payment, or can’t pay the full balance on time, they’ll end up paying higher interest rates than most regular credit cards. Higher interest and other fees could result in even higher financial burden on patients who sign up for a medical credit card.

Intended to pay for medical expenses, these cards are popping up in doctors’ offices (especially eye and dental care) and now even on hospital billing pages. Medical credit cards are being offered to patients in health care provider offices by office staff as a simple way to pay for health care expenses. Before this option, doctors and hospitals offered no- or low-cost payment plans for patients who had to pay for their care out-of-pocket.

Medical credit cards contribute to consumer medical debt and bankruptcy.

To understand the impact of health care bills on Oregon families and individuals, OSPIRG conducted a study of bankruptcies filed in 2019. Oregon is a Medicaid-expansion state which means more people are eligible for public, no-cost health plans than states that have not expanded access to Medicaid. Oregon also requires hospitals to offer free and discounted care with specific charity care, or financial assistance, policies. These generous policies should better insulate lower-income families in Oregon from the negative consequences of medical bills. Yet, medical debt played a major part in the reviewed bankruptcy filings, with 60% of filings reporting medical debt.

There was an unexpected finding uncovered in conducting a closer inspection of these Oregon bankruptcy filings. The report found that the single most frequently listed medical debt holder was attributed to a medical credit card - CareCredit from Synchrony Bank. This particular medical credit card was listed in 1,037 filings for a total of over $2 million owed to CareCredit, with a median debt per bankruptcy filer of $1,443.

CareCredit held the highest median debt in Oregon bankruptcy filings in 2019 compared to the 10 most frequently reported health systems.

Debt Holder	Median Debt Held
CareCredit/Synchrony	$1443
St. Charles	$1200
Asante Health	$720
OHSU & Tuality	$720
Samaritan	$700
PeaceHealth	$642
Catholic Health Initiatives	$500
Providence	$500
Salem Health	$500
Legacy	$380
Kaiser Permanente	$287

Why are medical credit cards harmful to consumers?

Medical credit cards offer predatory terms and conditions. Typically, these financing products offer "interest-free" or "deferred interest" credit for a period of several months, and then apply interest retroactively as well as significant late fees after that promotional period. The interest rate on these cards tends to be higher than other credit cards. Deferred interest terms mean that if the charged balance is not completely paid off during the promotional period, interest applies not just to the *unpaid* balance but to the total charge from the date the medical bill was charged to the card.

Medical credit cards exploit loopholes in debt protection laws. Although they are marketed as "medical" credit cards, the financial regulations that govern these products are the same as other credit cards. This means that any consumer protections that limit how medical debt can affect consumers' credit do not extend to these "medical" credit cards. For example, new protections that limit how owed medical bills can impact your credit score do not extend to "medical" credit cards. That's because any medical bill charged to a medical credit card means that the owed amount is now owed to a financial institution, rather than a doctor or a hospital.

Hospital and doctor payment plans are better for patients, not only because they tend to have no fees or lower interest rates, but also because they are recognized as “medical debt” which grants the patient some protections. If patients put their bills on a credit card, they now cannot ask for hospital payment plans and they have lost their chance to negotiate a lower bill.

Medical credit cards are marketed in health care settings, not through regulated financial institutions. The applications for these credit cards are often offered in medical office settings by front office staff who are not prepared to fully explain or answer questions about the financial transaction. For example, CareCredit has a relationship with 250,000 provider partners to market their medical credit cards. Patients should be focusing on their medical care and treatment plan at the physician’s office. They may feel pressured at the thought of a forthcoming hospital or doctor’s bill and having their physician’s staff offer a ‘solution’ can be wrongfully enticing. Moreover, it sets up a system where medical offices could upsell services based on price rather than medical need with the credit card as a payment option.

Examples of CFPB-identified medical credit cards[1]

Synchrony CareCredit	AccessOne	PrimaHealth Credit
Wells Fargo Health Advantage	MedCredit Financial Services	Comenity’s Alphaeon Credit Card

What should I do instead of applying for a medical credit card?

1. Verify your bill

Between physicians and insurance companies, you’ll get a lot of paperwork for your health care bills. Make sure that you have received a bill, which is different from an Explanation of Benefits (EOB) which only shows what your insurer is billed. Once you have the bill, make sure it details all the charges in an itemized list. You can request an itemized bill if you didn’t receive one. Be sure that you recognize all of the charges based on the care you received. Often, health care bills have errors. You may be double-charged for the same service or see a service listed that you didn’t receive. Follow up with the provider and your insurance company to ask questions if it doesn’t look right.

2. Ask about financial assistance policies and payment plans

Federal law requires all nonprofit hospitals to have financial assistance policies. In Oregon, every hospital must have such a policy. Ask if you qualify for free or discounted care. You may apply for this aid even if the provider says they have already screened you. In some cases, financial aid is denied because the provider lacks the information necessary to know if you qualify, and your application can provide that missing information. Other states may hold hospitals to stricter financial assistance policy requirements as well.

[1] Medical Credit Cards and Financing Plans, Consumer Financial Protection Bureau, May 2023.

Ask your hospital or provider to arrange a low cost payment plan that meets your personal budget. You may be able to pay your bill over the course of a few months or years, and at a much lower interest rate than a medical credit card. You should get any payment plan in writing.

3. Negotiate your bill

You may be able to negotiate to get a discount and pay a lower amount. You can ask what the Medicare rate is and ask to pay that lower amount instead. You should explain that you are willing to pay, but explain your financial limits. As with a payment plan, you should get the agreed-upon discount in writing.

4. Don’t use a credit card to pay your health care bills

Unless you can fully pay your credit card balance, do not use a credit card to pay your medical bills. Once your bill is put on a credit card (medical or otherwise), you lose your opportunity to challenge any part of your bill, or negotiate a discount or payment plan. Once you charge your medical bill to a credit card, you owe the amount to your credit card company under their terms, conditions, and rates, which are usually a much worse deal than you would otherwise get.

Authors:
Maribeth Guarino, High Value Health Care Advocate, OSPIRG Foundation
Patricia Kelmar, Senior Director, Health Care Campaigns, U.S. PIRG Education Fund