Biden administration to ban medical debt from Americans' credit scores

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The Biden administration announced a major initiative to protect Americans from medical debt on Thursday, outlining plans to develop federal rules barring unpaid medical bills from affecting patients' credit scores.

The regulations, if enacted, would potentially help tens of millions of people who have medical debt on their credit reports, eliminating information that can depress consumers' scores and make it harder for many to get a job, rent an apartment, or secure a car loan.

New rules would also represent one of the most significant federal actions to tackle medical debt, a problem that burdens about 100 million people and forces legions to take on extra work, give up their homes, and ration food and other essentials, a KFF Health News-NPR investigation found.

"No one in this country should have to go into debt to get the quality health care they need," said Vice President Kamala Harris, who announced the new moves along with Rohit Chopra, head of the Consumer Financial Protection Bureau, or CFPB. The agency will be charged with developing the new rules.

"These measures will improve the credit scores of millions of Americans so that they will better be able to invest in their future," Harris said.

Enacting new regulations can be a lengthy process. Administration officials said Thursday that the new rules would be developed next year.

Such an aggressive step to restrict credit reporting and debt collection by hospitals and other medical providers will also almost certainly stir industry opposition.

At the same time, the Consumer Financial Protection Bureau, which was formed in response to the 2008 financial crisis, is under fire from Republicans, and its future may be jeopardized by a case before the Supreme Court, whose conservative majority has been chipping away at federal regulatory powers.

But the move by the Biden administration drew strong praise from patients' and consumer groups, many of whom have been pushing for years for the federal government to strengthen protections against medical debt.

"This is an important milestone in our collective efforts and will provide immediate relief to people that have unfairly had their credit impacted simply because they got sick," said Emily Stewart, executive director of Community Catalyst, a Boston nonprofit that has helped lead national medical debt efforts.

Credit reporting, a threat designed to induce patients to pay their bills, is the most common collection tactic used by hospitals, a KFF Health News analysis has shown.

"Negative credit reporting is one of the biggest pain points for patients with medical debt," said Chi Chi Wu, a senior attorney at the National Consumer Law Center. "When we hear from consumers about medical debt, they often talk about the devastating consequences that bad credit from medical debts has had on their financial lives."

Although a single black mark on a credit score may not have a huge effect for some people, the impact can be devastating for those with large unpaid medical bills. There is growing evidence, for example, that credit scores depressed by medical debt can threaten people's access to housing and fuel homelessness in many communities.

At the same time, CFPB researchers have found that medical debt—unlike other kinds of debt—does not accurately predict a consumer's creditworthiness, calling into question how useful it is on a credit report.

The three largest credit agencies—Equifax, Experian, and

TransUnion—said they would stop including some medical debt on credit reports as of last year. The excluded debts included paid-off bills and those less than $500.

But the agencies' voluntary actions left out millions of patients with bigger medical bills on their credit reports. And many consumer and patient advocates called for more action.

The National Consumer Law Center, Community Catalyst, and some 50 other groups in March sent letters to the CFPB and IRS urging stronger federal action to rein in hospital debt collection.

State leaders also have taken steps to expand consumer protections. In June, Colorado enacted a trailblazing bill that prohibits medical debt from being included on residents' credit reports or factored into their credit scores.

Many groups have urged the federal government to bar tax-exempt hospitals from selling patient debt or denying medical care to people with past-due bills, practices that remain widespread across the U.S., KFF Health News found.

Hospital leaders and representatives of the debt collection industry have warned that such restrictions on the ability of medical providers to get their bills paid may have unintended consequences, such as prompting more hospitals and physicians to require upfront payment before delivering care.

Looser credit requirements could also make it easier for consumers who can't handle more debt to get loans they might not be able to pay off, others have warned.

"It is unfortunate that the CFPB and the White House are not considering the host of consequences that will result if medical providers are singled out in their billing, compared to other professions or industries," said Scott Purcell, chief executive of ACA International, the collection industry's leading trade association.

About this project

"Diagnosis: Debt" is a reporting partnership between KFF Health News and NPR exploring the scale, impact, and causes of medical debt in America.

The series draws on original polling by KFF, court records, federal data on hospital finances, contracts obtained through public records requests, data on international health systems, and a yearlong investigation into the financial assistance and collection policies of more than 500 hospitals across the country.

Additional research was conducted by the Urban Institute, which analyzed credit bureau and other demographic data on poverty, race, and health status for KFF Health News to explore where medical debt is concentrated in the U.S. and what factors are associated with high debt levels.

The JPMorgan Chase Institute analyzed records from a sampling of Chase credit card holders to look at how customers' balances may be affected by major medical expenses. And the CED Project, a Denver nonprofit, worked with KFF Health News on a survey of its clients to explore links between medical debt and housing instability.

KFF Health News journalists worked with KFF public opinion researchers to design and analyze the "KFF Health Care Debt Survey." The survey was conducted Feb. 25 through March 20, 2022, online and via telephone, in English and Spanish, among a nationally representative sample of 2,375 U.S. adults, including 1,292 adults with current health care debt and 382 adults who had health care debt in the past five years. The margin of sampling error is plus or minus 3 percentage points for the full sample and 3 percentage points for those with current debt. For results based on subgroups, the margin of sampling error may be higher.

Reporters from KFF Health News and NPR also conducted hundreds of interviews with patients across the country; spoke with physicians, health industry leaders, consumer advocates, debt lawyers, and researchers; and reviewed scores of studies and surveys about medical debt.

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