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Medical Debt Credit Reporting

A Review of Recent Changes and a Look at the Future

THE PRESENTER



B. Roy Engle

President

Team Recovery Inc.

330.916.7030

rengle@teamrecovery.com

www.teamrecovery.com



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A LOOK AT RECENT CHANGES



To All Collections Data Furnishers

March 2022

Experian, TransUnion, and Equifax are making changes to Medical Debt Collection Data. Below is a summary of each initiative, impacted furnishers, furnisher action, and the effective dates.

Initiative	Who is Impacted?	Furnisher Action	Effective Date
CRA's will not display paid medical debt collection accounts	Collection Agencies and Debt Buyers	No changes required. Continue to report the paid medical collection with a status code 62. The CRA's will then remove the paid medical collection.	7/1/2022

The Equifax logo, featuring the word "EQUIFAX" in a bold, italicized, sans-serif font.The Experian logo, featuring a stylized "e" composed of several small squares followed by the word "experian" in a lowercase, sans-serif font.The TransUnion logo, featuring the word "TransUnion" in a sans-serif font with a small circular icon containing the letters "tu" to the right.

Do not report medical debt collection accounts less than 365 days old	Collection Agencies and Debt Buyers	Do not report Medical Debt collection accounts (as defined by Creditor Classification Code 02) until they are at least 365 days past the Date of the First Delinquency with the original creditor that led to the account being sold or placed for collection. [Note: existing rule is changing from 180 to 365 days]	7/1/2022
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EQUIFAX

 **experian**

TransUnion^{tu}

Do not report medical debt collection accounts under a pre-defined minimum threshold (will be at least \$500 and published later this year)

Collection Agencies and Debt Buyers

Do not report Medical Debt collection accounts (as defined by Creditor Classification Code 02) under a pre-defined minimum threshold (will be at least \$500 and published later this year).

3/30/2023



A LOOK AT THE FUTURE

CFPB ANNOUNCES RULEMAKING TO REMOVE MEDICAL DEBT FROM CREDIT REPORTS 09/21/2023

- The Consumer Financial Protection Bureau announced it was beginning the rulemaking process to remove medical debts from consumers' credit reports, thus removing the "leverage" that debt collectors use to "pressure" consumers into repaying unpaid medical debts.
- CFPB Director Rohit Chopra said, "Research shows that medical bills have little predictive value in credit decisions, yet tens of millions of American households are dealing with medical debt on their credit reports. When someone gets sick, they should be able to focus on getting better, rather than fighting debt collectors trying to extort them into paying bills they may not even owe."
- Remove medical bills from consumers' credit reports: Consumer reporting companies would be prohibited from including medical debts and collection information on consumer reports that creditors use in making underwriting decisions.

CONTINUED

- Stop creditors from relying on medical bills for underwriting decisions: The proposal would narrow the 2005 exception and prohibit creditors from using medical collections information when evaluating borrowers' credit applications.
- Chopra mentioned that billing errors with medical debt are “widespread” and that collectors have no way of verifying that the amounts they are trying to collect are accurate. By making these changes Chopra said that credit decisions would be “based on someone's ability to repay a debt, not their ability to file disputes and navigate red tape.”

NOT JUST MEDICAL DEBT

CONSUMER REPORTING RULEMAKING THAT RE-WRITES THE FAIR CREDIT REPORTING ACT (FCRA)

- Sweeping changes that touch almost every aspect of credit reporting, including Data Brokers and even Credit Header Data.
- “Credit Header” data are certain consumer-identifying data maintained by consumer reporting agencies. Credit header data has historically been considered to include, for example, an individual’s name (and any other names previously used), current and former addresses, Social Security number, and phone numbers.
- Some consumer reporting agencies sell credit header data for purposes such as marketing or certain law enforcement purposes.

THE CFPB PROPOSAL

- The research that the CFPB is relying upon to show that medical debt information on a credit report is less predictive of future repayment, was conducted back in May 2014.
- A 2005 exemption was created to allow creditors to rely on medical data if it could be characterized as “financial information.”

THE CFPB PROPOSAL

If this rule is finalized it will:

- Prevent creditors from relying on medical debt for underwriting decisions – thus doing away with the FCRA 2005 exemption on “financial information.”
- Prevent all medical bills from reporting on consumers’ credit reports.
- Projected to have a disparate impact on rural hospitals with higher self-pay populations.
- Be another anti-hospital rule, through the back door of credit reporting and data furnishing.

INTERESTING QUESTIONS IF THE RULE IS FINALIZED



Why would a patient
pay their remaining
self-pay balance? No
Consequences!



Will hospital systems
be forced to pursue
more legal measures
to collect?



Eventually, will the
motivation for having
insurance go away?



Will costs for care rise
as medical facilities
attempt to offset the
loss in revenue?

TIMELINE

- SBREFA Panel (Small Business Regulatory Enforcement Fairness Act) – Dodd-Frank Act requires CFPB to convene SBREFA. Rushed through with November 6th deadline for all comments.
- American Collector's Association (ACA) in attendance – no providers, no doctors, or even dentists
- Projected 60 days for the proposed rule to be finalized with an official comment period. This will be the time for all hospital systems to engage their advocacy and lobbying efforts.
- The CFPB's goal is believed to be a final rule prior to the election in November 2024, with June 1 being a magical date.
- ACA has advised that they will be publishing sample advocacy letters for hospital providers to use. Feel free to email me, and I will send these to you when they are completed.

ADVOCACY

- Engage your hospital's lobbying personnel.
- AMA, HFMA, AAHAM- All hands-on deck to soften the final rule.
- Send letters to legislative representatives and key decision makers.

THANK YOU: CONTACT INFORMATION



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