

Biden Administration Announces Plan to Ban Medical Debt From Credit Scores

On Sept. 21, 2023, the Biden administration announced an initiative that would prevent unpaid medical bills from impacting Americans' credit scores. If enacted, this regulation could prevent medical debt from lowering consumer credit scores. Low credit scores can make it more difficult to get hired, rent an apartment or receive a loan. This initiative has the potential to impact tens of millions of Americans who have medical debt on their credit reports, making it one of the most significant federal actions to tackle medical debt to date.

“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.”

- *Kaiser Family Foundation*

An analysis by the Kaiser Family Foundation found that credit reporting—a threat used by hospitals to induce patients to pay their bills—is the most common collection tactic used by hospitals. Additionally, researchers at the Consumer Financial Protection Bureau (CFPB) have found that medical debt isn't an accurate predictor of consumers'

creditworthiness, which undermines the worth of including it in a credit report. Nevertheless, a 2022 report by the CFPB found that medical bills account for about 58% of all uncollected debts reported to consumer credit reporting bureaus.

In 2022, the three largest credit agencies, Equifax, Experian and TransUnion, voluntarily announced that they would no longer include certain medical debt on credit reports, such as debts under \$500 and paid-off bills. However, the agencies' actions excluded millions of patients with larger medical debts on their credit reports, prompting numerous groups, such as the National Consumer Law Center and Community Catalyst, to advocate for further action.

Representatives of the debt collection industry and hospital leaders have argued that, if enacted, such regulations could prevent medical providers from getting their bills paid, which could cause more medical care providers to require upfront payment for care. Furthermore, opponents of the proposed initiative have noted that looser credit requirements could enable consumers who can't handle more debt to get loans they're unable to pay off.

What's Next?

The Biden administration announced plans to develop the proposed regulation over the next year. However, the process of enacting new regulations is often lengthy, and this initiative is likely to be challenged by industry opposition. We'll keep you apprised of any notable updates.

Contact us today for more information.