

Biden Administration Advances Plan To Remove Medical Debt From Credit Scores

If enacted, the rules would dramatically expand protections for tens of millions of Americans burdened by medical bills they can't afford.

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Americans would no longer have to worry about medical debts dragging down their credit scores under federal regulations proposed Tuesday by the Consumer Financial Protection Bureau.

If enacted, the rules would dramatically expand protections for tens of millions of Americans burdened by medical bills they can't afford.

The regulations would also fulfill a pledge by the Biden administration to address the scourge of health care debt, a uniquely American problem that touches an [estimated 100 million people](#), forcing many to make sacrifices such as limiting food, clothing, and other essentials.

"No one should be denied access to economic opportunity simply because they experienced a medical emergency," Vice President Kamala Harris said Tuesday.

The administration further called on states to expand efforts to restrict debt collection by hospitals and to make hospitals provide more charity care to low-income patients, a step that could prevent more Americans from ending up with medical debt.

And Harris urged state and local governments to continue to buy up medical debt and retire it, a strategy that has become increasingly popular nationwide.

Credit reporting, a threat traditionally used by medical providers and debt collectors to induce patients to pay their bills, is the most common collection tactic used by hospitals, [a KFF Health News analysis](#) has shown.

Although a single unpaid bill on a credit report may not hugely affect some people, the impact can be devastating for those with large health care debts.

There is growing evidence, for example, that credit scores depressed by medical debt

can [threaten people's access to housing](#) and fuel homelessness. People with low credit scores can also have problems getting a loan or can be forced to borrow at higher interest rates.

“We’ve heard stories of individuals who couldn’t get jobs because their medical debt was impacting their credit score and they had low credit,” said Mona Shah, a senior director at Community Catalyst, a nonprofit that’s pushed for expanded medical debt protections for patients.

Shah said the proposed regulations would have a major impact on patients’ financial security and health. “This is a really big deal,” she said.

Administration officials said they plan to review public comments about their proposal through the rest of this year and hope to issue a final rule early next year.

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.

Those moves have substantially reduced the number of people with medical debt on their credit reports, government data shows. But the agencies’ voluntary actions left out many patients with bigger medical bills on their credit reports.

A [recent CFPB report](#) found that 15 million people still have such bills on their credit reports, despite the voluntary changes. Many of these people live in low-income communities in the South, according to the report.

The proposed rules would not only bar future medical bills from appearing on credit reports; they would also remove current medical debts, according to administration officials.

Officials said the banned debt would include not only medical bills but also dental bills, a major source of Americans’ health care debt.

Even though the debts would not appear on credit scores, patients will still owe them. That means that hospitals, physicians, and other providers could still use other collection tactics to try to get patients to pay, including using the courts.

Patients who used credit cards to pay medical bills — including medical credit cards such as CareCredit — will also continue to see those debts on their credit scores as they would not be covered by the proposed regulation.

Hospital leaders and representatives of the debt collection industry have warned that restricting

credit reporting may have unintended consequences, such as prompting more hospitals and physicians to require upfront payment before delivering care.

But consumer and patient advocates continue to call for more action. The National Consumer Law Center, Community Catalyst, and about 50 other groups last year 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 recent months, a growing number of states, led by Colorado and New York, have enacted legislation prohibiting medical debt from being included on residents' credit reports or factored into their credit scores. Other states, [including California](#), are considering similar measures.

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

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