

# Transcript: Credit Where It's Due

**Dan:** Hey there. A couple of months ago, I started hearing from people -- on Twitter, on email, about a story that was starting to hit the news: Credit-reporting bureaus were going to take a lot of medical bills off of people's credit reports.

And I have to tell you, my first impression was... ehh. Maybe a little depressed.

I mean, don't get me wrong, this seemed like it would be a good thing for a lot of people, but it also shone a spotlight on how bad things are.

The day's news stories cited numbers from the Consumer Financial Protection Bureau that there's 88 billion dollars in medical debt sitting on 43 million credit reports.

And number one, this wasn't going to make all 88 billion dollars go away, not even close.

And number two: Well, even if all 88 billion dollars disappeared from credit reports, it wouldn't make the debt go away. Collectors wouldn't stop hassling people for it.

And finally, this change wouldn't address the big problem: How 43 million of us ended up with medical debts that we weren't in a position to pay. Which could be almost any of us.

This is not 43 million of us being too impatient to save up for a new Playstation. This is 43 million of us getting sick, and getting socked with bills that are usually inflated, sometimes are just in error, and that our insurance didn't protect us from.

And you know what? I was right about all that.

But you know what else? I was wrong about how big a deal this could be. How much suffering it can short-circuit for how many people.

And how useful the information itself -- the news about what's happening -- could be.

So this episode? I want to make sure to give credit where it's due.

This is An Arm and a Leg, a show about why health care costs so freaking much, and what we can maybe do about it. I'm Dan Weissmann. I'm a reporter, and I like a challenge, so my job on this show is to take one of them most enraging, terrifying, depressing parts of American life and bring you something entertaining, empowering, and useful.

And speaking of giving credit where it's due, let me introduce the person who set me straight about why these changes to credit reports are kind of a big deal.

**Lara Ceccarelli:** my name is Lara Ceccarelli I work for American Financial Solutions. We're a non-profit credit counseling agency, um, so my job basically is helping people who are having a difficult time with their finances or with debt to find solutions that make sense for their situation.

**Dan:** In other words, Lara is talking with people all day who have stuff on their credit report they can't pay, debt collectors chasing them.

A lot of the time, that's medical bills-- 58 percent of bills where collection agencies are chasing people, they're for medical bills, according to a federal report.

One of the changes coming is: Medical debts under \$500 are supposed to disappear from credit reports completely. I asked Lara, Is that a big deal? She was like, uh, yah. She called it huge. For one thing, we are talking about a lot of bills.

**Lara Ceccarelli:** it's a lot more common to see a medical bill for, you know, \$300 than it is to see one. \$5,000, on, you know, a credit report.

**Dan:** The feds did a formal count: they found more than 60 percent of medical bills in collections are less than 500 bucks.

And the cumulative effect of these smaller bills can be, well, huge.

**Lara Ceccarelli:** . I see scenarios routinely, I mean, several days a week where somebody has got, you know, five or six different medical bills, all under 500. From the same debt collector, all sitting on the credit report.

**Dan:** So now, all of those are gonna come off.

And when those bills go away, Lara Ceccarelli says it'll change the advice she gives people with bigger bills to pay off. Until now, that advice has tended to

be: start by reducing the total number of bills you're paying -- and the total number of dings on your credit, and the total number of people harassing you-- by paying off the smallest bills first, in full.

**Lara Ceccarelli:** But if there are less smaller bills out there, we can start getting really aggressive with those bigger bills sooner,

**Dan:** So people can clean up their credit faster. And...

**Lara Ceccarelli:** I think it's going to save them money while they do it. Cause you know, we're not going to be dealing with, you know, bills of \$120 that have to be tackled.

**Dan:** You can kind of ignore them.

And this change -- wiping out these smaller charges from credit reports -- that can have some big impacts for the rest of us, those of us lucky enough to NOT have a giant mountain of medical debt, who aren't calling someone like Lara Ceccarelli.

We'll get to that in a minute-- it's complicated, there are caveats-- but first, Lara sees more good news for the people who do need someone like her, in another change that's happening with credit reports. Something else she calls huge:

Once you pay off one of those bigger medical bills -- more than \$500 -- it's supposed to disappear from your credit report completely. Like it never happened.

**Lara Ceccarelli:** if you pay off a collections debt at the moment, the bill is going to show it is having a zero balance, but it'll still show that you had something in collections.

**So you still have, you know, that red flag for future lenders**

**Dan:** And not just lenders. This isn't just for if you want to buy a house or refinance your mortgage. A lot of the time, when you apply for a job-- or to rent an apartment-- your prospective new boss or landlord is gonna run your credit.

So getting smaller debts and paid-off debts wiped out is going to make a big difference for a lot of people.

Lara's got some caveats too. For instance:

**Lara Ceccarelli:** I would caution people that to remember that this does not apply to settlements. So if you settle a bill for less than you owe, let's say you pay, you know, 50% or 70% or whatever it is. Then it does remain on your credit report for the full seven years.

**Dan:** It stays there, marked "settled." I was like, oh. Yeah, whoops. I asked Lara, could I negotiate that with the collections people? Tell them, I can give you 50 percent right now, but I also want it totally wiped from my credit report?

**Lara Ceccarelli:** I mean, theoretically. Yes. Uh, the thing to remember when you're dealing with debt collectors is that these are not customer service representatives, right? Like these are not people whose, whose primary job function is to make your day easier.

**Dan:** She says sometimes debt collectors will delete things from your record -- for an extra fee. They call it pay-to-delete.

**Lara Ceccarelli:** Sometimes they'll negotiate. I, I would caution that any time that you negotiate with, you know, your debt collector, I would suggest getting those terms in writing before sending payment

**Dan:** Otherwise, they've got your money, and you've got no leverage.

But speaking of leverage: Here's where the rule about wiping out medical bills under five hundred bucks can help those of us who are ONLY dealing with one of those relatively small-dollar charges.

Whoever's billing, they'll no longer be able to threaten to whack your credit rating over a hundred bucks that may or may not even be correctly billed. I'm not saying stiff 'em, especially if you think the bill's accurate and even reasonable.

That's not nice, and as Lara points out, bill collectors can still bug you about smaller bills, a lot.

**Lara Ceccarelli:** and when I say a lot, I mean, there are clients that I speak to who are getting, you know, upwards of 10, 15 calls a day from the same agency. So it, it can get overwhelming.

**Dan:** and worst-case, they \*could\* even sue you over it.

**Lara Ceccarelli: Yeah, I have seen clients facing lawsuits for balances that are under \$500. It's rare, but it does happen**

**Dan:** So, you know, maybe don't be all like, "Whaddya gonna do, huh? Sue me?" But still.

One thing to know about these changes: They're not happening right away, and they're not happening all at once. Paid-off debts are supposed to come off credit reports July 1, 2022.

Debts under \$500 -- even if they're not paid off -- don't come off until March 2023.

Which, OK, it could be sooner. BUT. If you're getting a bill \*today\* that's lower than 500 bucks, this is kind of just as good. Because of a third thing that's changing: No medical bills should appear on your credit report at all, until they're at least a year old.

That takes effect July 1st, 2022. Lara likes this change by itself.

**Lara Ceccarelli: If somebody has got a medical bill, that's over \$500, odds are that they've had a pretty big medical event in their lives, right? Which means that not only do they have this bill, but their earnings potential, a lot of the time has been impacted, at least in the immediate aftermath of whatever this medical event was.**

**So if they have more time to get their finances settled and get back on their feet and figure out, you know, a payment plan. That makes a huge difference for a lot of consumers**

**Dan:** It also makes a difference for anybody who has a bill for less than \$500 that came in after March 1 2022: It should never appear on your credit report at all.

Of course, if one of those smaller bills is on your report now-- or came in before March 1st.... well, it stays there till March 2023. Still, it's an upgrade.

I said to Lara. The situation's still terrible. There are still way too many of us exposed to super-high medical bills, with insurance that doesn't really protect us. We're still sitting ducks.

**Lara Ceccarelli:** We're S we're sitting ducks with maybe a small shield protecting us.

**Dan:** Well, well, we've

**Lara Ceccarelli:** we're, we're sitting ducks, but we've got some bushes shielding us now from the hunters.

**Dan:** Yeah, like maybe they can't just toss some darts at random. Fewer deaths from a thousand paper cuts. I'm not against it.

Coming right up: actually, there's more good news. A couple things.

And I said we'd be giving credit where it's due-- we have some people to credit with these changes.

That's right after this.

This episode of An Arm and a Leg is produced in partnership with Kaiser Health News. That's a non-profit newsroom covering health care in America. Kaiser Health News is not affiliated with the giant health care outfit Kaiser Permanente. We'll have a little more information about Kaiser Health News at the end of this episode.

So, here's one of our extra bits of good news about credit reports. There's this really terrible thing that I didn't even know was happening. And in late 2021, it just went away.

It's called "parking." It's something debt collectors did with small charges-- say less than a hundred dollars. I learned about this from April Kuenhoff-- she's an attorney with the National Consumer Law Center.

She said with amounts that small, some collectors didn't think it was worth their time to even call you about it. They had a different approach.

**April Kuenhoff:** instead of calling you about that \$90 amount, that was your copay or your co-insurance, that you allegedly owed they would simply credit report it and wait.

**Dan:** You can hear me cracking up a little here, because this is so outrageously devious.

**April Kuenhoff:** And so then the next time you go to finance a mortgage to buy a car, and frequently now to get a job or to try to rent an apartment, anything where somebody is pulling your credit report.

**Dan:** Surprise! You've got a ding on your credit that you didn't even know was there.

**April Kuenhoff:** And, uh, you know, maybe you, you thought that insurance covered it, or maybe you still think insurance should have covered it. But at that point, you know, what are you gonna do?

**You're going to pay the \$90 to that debt collector. You're not going to, , dispute it with insurance or, or, you know, dispute it with the debt collector, even dispute it with the credit reporting bureau, because you don't have time at that point.**

**Dan:** I mean, that is SO MEAN, right?

And in this case -- to give credit where it's due-- somebody actually did something about it.

The federal government. The Consumer Financial Protection Bureau, actually -- the CFPB for short. The watchdog that regulates debt collectors. It revised a bunch of rules last November. Mostly because the underlying law-- the Fair Credit Reporting Act -- had just gotten its first big update since 1977, when there was no need for rules about, say, how collectors could use email to contact you.

While the CFPB was cooking up those rules, they also decided to ban parking.

And: it seems like we've got the CFPB to thank for those other changes we've been talking about Bills less than 500 bucks getting dropped, paid-off bills disappearing too.

Because the agency also regulates... the credit-reporting bureaus. And recently, the CFPB has taken a big interest in how those bureaus deal with medical debt.

Right at the top of this episode, I mentioned some numbers from a recent federal report: 88 billion dollars in medical debts on credit reports, 58 percent of everything on credit reports is medical debts, more than 60 percent of medical bills on credit reports are under 500 bucks.

That was all from a report the CFPB put out-- on March 1st of this year. That's two weeks before the credit bureaus announced these changes.

In announcing the report, the CFPB said it would, quote,

"act to ensure that the consumer credit reporting system is not used coercively against patients and their families to force them to pay questionable medical bills. Specifically, the CFPB intends to:

Hold credit reporting companies accountable..."

and

"Determine whether unpaid medical billing data should be included in credit reports:"

Unquote. At all.

I rang up the CFPB and talked with John McNamara there. He's Assistant Director for Consumer Credit, Payments, and Deposits Markets. Fun fact: He also worked in collections for more than 20 years before signing on with the feds:

I asked him: Hey, do you folks want to take credit for these changes the credit bureaus announced a couple weeks after your report?

**John McNamara:** I listen, personally, I would like to

**Dan:** ... but it's hard to know for sure.

He also thinks dropping these medical bills from credit reports may not have been a super-tough decision for the credit bureaus.

**John McNamara:** there are many paying customers, primarily financial institutions are also, , maybe realizing that they had little predictive value.

**Dan:** Again, this isn't like you ran up credit-card bills for a wild vacation and then blew them off.

John says these changes are a good start, but not enough. And who knows if they'll stick? So far, it's just a voluntary business decision.

I said, you're the regulator. What're you going to do to make it stick? You announced in March that you're going to hold credit bureaus responsible... He said, basically, wait and see.

**John McNamara:** I mean, we just announced this a couple months ago. So, I mean, I'd say we're signaling.

**Dan:** After I talked with John, I noticed something: Last month, the CFPB sued one of the credit-reporting bureaus TransUnion and a former top executive for violating the terms of an earlier settlement with the agency.

The agency's director, Rohit Chopra, called TransUnion, quote: "an out-of-control repeat offender that believes it is above the law," Unquote. He said: "I am concerned that TransUnion's leadership is either unwilling or incapable of operating its businesses lawfully."

Rohit Chopra took over the CFPB less than a year ago. These reports about medical debts, and this lawsuit against TransUnion are already out there.

I mean, OK. Sounds like we should stay tuned.

Meanwhile: If you heard our last episode, you heard us get pretty interested in the not-very-pretty world of private equity, and how those investments outfits are seeking to make tons of money out of health care.

For next time, we've got a story about a group of doctors who are fighting this trend-- in court.

The American Academy of Emergency Medicine is suing a private-equity owned company that employs a lot of ER docs. And they're not suing for money. These docs say that the company, called Envision, dictates so much about actual patient care, it's way out of line. Because there's actually a law against what's called the corporate practice of medicine.

**Dr. Lisa Moreno:** envision has broken the law. They are illegally practicing medicine. There is no amount of money. That is going to fix that problem.

**Dan:** They want a judge to tell the company to get out of the business.

And we are super-curious about how it's going to come out. That's in three weeks.

Till then, take care of yourself.

This episode of An Arm and a Leg was produced by me, Dan Weissmann, with help from Emily Pisacreta, and edited by Marian Wang. Daisy Rosario is our consulting managing producer.

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When he died, he left half his money to the foundation that later created Kaiser health news. You can learn more about him and Kaiser health news at [arm and a leg show dot com slash Kaiser](http://armandalegshow.com/slash/Kaiser).

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