

Medical Bills & Credit Cards: What You Should Know



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As healthcare costs spiral out of control, more and more Americans are using their credit cards to pay off their medical bills according to a report by Demos and the Access Project.

Based on data from a national survey of low- and middle-income households with credit card debt, credit card users who pointed to medical expenses as a factor in their credit card balances had a significantly higher credit card debt than those who did not have medical expenses on their cards.

A credit counseling specialist warns: “If you end up charging fees for medical services, prescriptions and co-pays on your credit cards you will continually feel the terrible financial consequences in the years to come. The high interest rates will snowball forcing you deeper and deeper into debt.”

Here are some of the shocking statistics that have surfaced:

- Twenty-nine percent of low- and middle-income households with credit card debt reported that medical expenses contributed to their current balances. Within that group, 69 percent had a major medical expense in the previous three years.
- Low- and middle-income medically indebted households had higher levels of credit card debt than those without medical debt on average 46 percent higher. (\$11,623 versus \$7,964).
- Low- and middle-income medically indebted households had higher debt-to-income ratios than non-medically indebted households.
- Among the medically indebted, young adults between the ages of 18 and 34 had the highest level of average credit card debt (\$13,303) of any age group. Credit card debt levels of medically indebted young adults (\$13,303) were also considerably higher than credit card debt levels for non-medically indebted young adults (\$7,450).

Here are some very important points to be aware of when dealing with medical bills and credit cards:

1. Medical Debt and Consumer Debt. Poor credit ratings can ruin your family's prospects for homeownership, small business development, and even employment. Currently, there are no national guidelines for identifying and differentiating medical debt from consumer debt.
2. Limit the Entry of Medical Providers into Financial Services. Provider-sponsored credit cards and revolving lines of credit are often offered under the guise of financial assistance – frequently with the same rates and fees of consumer credit. Patients may feel compelled or pressured to access these services as up-front or in-house financing. This dangerous blending of the health care and finance industries should be avoided.
3. Increase Oversight of Medical Credit Cards And Lines of Credit Attached to Health Savings Account (HSA) Products. Medical credit cards are now being marketed specifically for out-of-pocket medical expenses, and

some HSA products now include lines of credit. As these types of products become more common, the effects on cash-strapped families could be severe. If a patient has a low credit score or is late with a payment, he or she could pay exorbitant interest fees and penalties for health care services. These new products should be closely monitored.

4. Improve screening for eligibility in public or private financial assistance programs. Health care providers can help reduce medical debt while maintaining their revenues by improved screening of patient eligibility for public programs such as Medicaid and State Children's Health Insurance Programs. Those who are eligible for an assistance program should be encouraged by the provider to enroll.
5. Enact a Borrower's Security Act. Today there are no legal limits to the fees and interest credit card issuers can charge. They are allowed to change the terms on cards at anytime for any reason, unlike other lenders. As a result, cardholders often borrow money under one set of conditions and end up paying it back under different terms. A Borrower's Security Act should be

recommended which would limit these practices and restore the balance of power in the lending relationship.

What Actions You Can Take

1. Get Help. If you don't have insurance then see if you can qualify for government assistance. If the application forms are too confusing or overwhelming, get help. There are patient advocacy groups that work exclusively with patients who are financially limited. These groups can help you fill out the forms and negotiate payment plans that are more suitable to your financial situation.
2. Try NOT To Pay the Bills with Your Credit Card. First try to negotiate because if you pay your bill with your credit card without first negotiating a price, you lose your right to negotiate. And don't make any rash decisions regarding the credit card debt that you have already incurred. For example, taking a home equity loan to pay off the bill would only open you up to losing your house.
3. Get Itemized Medical Bills. Check your bills carefully

for accuracy, especially if it is extensive. You must keep your medical records so you can compare them with the medical bill. Mistakes do happen and they can cost you dearly.

4. Refuse to be "Balance Billed." It is illegal for providers to ask you for more money if Medicaid has already paid the bill. Don't let them intimidate you. You have rights that are protected by the law.
5. Negotiate. Speak with your doctor or hospital representative about reducing your bill or allowing you to pay it in installments. And don't let the hospitals tell you that they can't negotiate – because they most certainly can.
6. Do Your Homework. Evaluate all the insurance, Medicaid, and charity options available to you. Yes this takes time but you could also have a family member or friend help you. And remember, don't be afraid to ask the medical billing office questions about your alternatives. Be diligent. If you don't get an answer that satisfies you or that you don't understand, keep asking. The world of insurance and financing choices can be

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