



Powering a  
more equitable  
New York

President and  
Chief Executive Officer  
David R. Jones, Esq.

Executive Vice President and  
Chief Operating Officer  
Steven L. Krause

## Community Service Society of New York

Testimony before the  
Assembly Standing Committee on Consumer Affairs & Protection and the  
Committee on Banks

Medical Debt's Effect on New Yorkers' Credit Reports  
December 6, 2022

Good afternoon. My name is Carrie Tracy, Senior Director of Health Initiatives at the Community Service Society of New York (CSS). CSS thanks the Chairs for this opportunity to testify on the accuracy and effectiveness of consumer credit reporting.

CSS has worked with and for New Yorkers since 1843 to promote economic opportunity and champion an equitable city and state. We power change through a strategic combination of research, services, and advocacy to make New York more livable for people facing economic insecurity. Our health programs help approximately 130,000 New Yorkers enroll in and use health insurance, negotiate medical billing, or otherwise access free or low-cost health care every year. We do this through a live-answer helpline and in partnership with over 50 community-based organizations (CBOs) throughout the City and State. Our testimony describes the prevalence of medical debt in New Yorker's credit reports and some of the policy issues that contribute to the medical debt problem. It concludes with possible solutions: ensuring eligible New Yorkers receive financial assistance from hospitals, protecting New Yorkers experiencing financial harm because of the pandemic, and reducing or eliminating the reporting of medical debt on credit reports.

### Medical Debt in New York

Medical debt is the most common type of debt reported by the national credit reporting agencies.<sup>1</sup> In an effort to address the pervasiveness of medical debt, the federal Consumer Financial Protection Bureau issued guidance that bars medical debt less than \$500 from being reported to credit agencies.<sup>2</sup> While this is

<sup>1</sup> Lucas Nathe and Ryan Sandler, "Paid and Low-Balance Medical Collections on Consumer Credit Reports," Consumer Financial Protection Bureau, July 27, 2022, <https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports/>.

<sup>2</sup> Ibid.

an important first step, it does not go far enough in high-cost medical states, such as New York, and also, as described in detail below, has a disparate impact on patients of color.

According to the Urban Institute, which conducts random samples of credit reports, six percent of New Yorkers have past due medical debt on their credit reports.<sup>3</sup> This varies widely: from three percent in Nassau County to 26 percent in Chemung County. The counties with the highest proportions of past due medical debt are shown in Table 1. Three are in the Southern Tier (Chemung, Schuyler, and Steuben). Two each are in Central New York (Oswego and Onondaga), Mid-Hudson (Sullivan and Montgomery), and the North Country (Jefferson and St. Lawrence). One, Seneca County, is in the Finger Lakes region.

County	Credit Reports with Medical Debt	Median Medical Debt
Chemung	27%	\$989
Oswego	19%	\$528
Seneca	15%	\$494
Schuyler	15%	\$395
Onondaga	14%	\$449
Jefferson	14%	\$668
Steuben	14%	\$797
St. Lawrence	14%	\$775
Sullivan	14%	\$894
Montgomery	13%	\$815
New York State	6%	\$456

Overall numbers mask large racial disparities in some communities. There are 14 counties where fewer residents in majority-White zip codes have past due medical debt on their credit reports than residents in communities of color. For example, in Westchester County, where there is the biggest racial disparity, 4.5 percent of residents overall have medical debt on their credit reports. This drops to 2.5 percent of people in majority-White zip codes but in communities of color it increases to 7.9 percent, a 319 percent difference.

Racial disparities in credit damage caused by medical debt are prevalent in deindustrialized Upstate cities (including Albany, Buffalo, Rochester, Schenectady, and Syracuse), Long Island, all New York City boroughs other than the Bronx, Franklin County (in the North Country), and Rockland County (in the mid-Hudson region)

<sup>3</sup> Urban Institute, "Debt In America," <https://apps.urban.org/features/debt-interactive-map/?type=medical&variable=medcoll&state=36>.

**Table 2. Racial Disparities in Share of Residents with Medical Debt on Their Credit Reports**

County	Overall	Majority White Zip Codes	Communities of Color	Difference
Westchester	4.5%	2.5%	7.9%	320%
Schenectady	8.6%	7.3%	19.0%	260%
Onondaga	14.2%	10.7%	26.4%	247%
Albany	7.5%	6.1%	14.8%	244%
Erie	7.8%	6.3%	15.4%	243%
Monroe	3.7%	2.9%	6.9%	240%
Rockland	4.4%	3.5%	7.5%	217%
New York	2.9%	2.0%	4.0%	200%
Kings	3.4%	2.5%	4.4%	178%
Nassau	2.7%	2.3%	3.9%	171%
Franklin	8.8%	8.1%	13.5%	166%
Richmond	3.0%	2.6%	3.7%	142%
Queens	3.8%	3.0%	4.1%	133%
Suffolk	3.2%	3.0%	3.7%	125%

There are also racial disparities in the amount of medical debt in some communities. Table 3 shows the nine counties where the median amount of past due medical debt is higher in communities of color than for majority-white communities.

**Table 3. Racial Disparities in Medical Debt Amounts**

County	Overall	Majority White Zip Codes	Communities of Color	Difference
Westchester	\$615	\$424	\$737	\$313
Albany	\$525	\$456	\$889	\$433
Monroe	\$414	\$366	\$449	\$83
Rockland	\$530	\$482	\$627	\$145
New York	\$352	\$339	\$362	\$23
Kings	\$380	\$304	\$400	\$96
Nassau	\$325	\$320	\$344	\$24
Richmond	\$343	\$300	\$447	\$147
Queens	\$351	\$281	\$358	\$77

This difference means that a recent change in which the credit agencies will remove medical debt under \$500 from credit reports disproportionately benefits White communities. For example, in Albany county, the median medical debt in majority-White communities is \$456, under \$500. Most people there will have medical debt removed from their credit reports. But in communities of color, the median debt is \$889. Most residents of those communities will retain medical debt on their credit reports. The change will also leave most medical debt in place for

most people in seven of the counties with the biggest proportions of people with medical debt (see Table 1).

### Causes of Medical Debt

Medical debt differs from other types of debt, which may explain why it is less predictive of future repayment habits.<sup>4</sup> When consumers purchase most other goods, they do so voluntarily, with planning, and with full information about prices. None of that is true for patients purchasing medical care.<sup>5</sup> Most medical care is not voluntarily purchased. In fact, 38 percent of New Yorkers avoid necessary care, which should not be considered optional, because they are so afraid of medical bills.<sup>6</sup> Patients describe cutting pills, not filling prescriptions, delaying tests or procedures ordered by their doctor, or avoiding them altogether.

When patients cannot avoid care, they have very little ability to “shop” for low-cost providers, even in non-emergencies.<sup>7</sup> They simply do not have access to information about prices and quality needed to choose the lowest-cost, safest provider.<sup>8</sup> If they did have that information, few people can freely choose a provider without running into problems with their insurance network.

It is likely that there are frequent cases of medical debt reported to credit agencies that patients should not or did not really owe. Patients often chose not to fight unfair medical bills because they feel they cannot win.<sup>9</sup> The federal Consumer Financial Protection Bureau has described patients as being “extorted” into paying inaccurate or unfair medical bills through credit threats.<sup>10</sup> It reports that medical debt on credit reports is contested three times as often as other types of debt.<sup>11</sup> Billing errors, opaque pricing, labyrinth administrative processes, and failures by both insurers and providers to implement patient protections such as the State’s hospital financial assistance law all contribute to the number of patients with unfair medical debt.

---

<sup>4</sup> Bureau of Consumer Financial Protection, “Medical Debt Burden in the United States,” February 2022, [https://files.consumerfinance.gov/f/documents/cfpb\\_medical-debt-burden-in-the-united-states\\_report\\_2022-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf).

<sup>5</sup> Bureau of Consumer Financial Protection, Bulletin 2022-01: Medical Debt Collection and Consumer Reporting Requirements In Connection with the No Surprises Act, 12 CFR Parts 1006 and 1022, [https://files.consumerfinance.gov/f/documents/cfpb\\_bulletin-2022-01\\_no-surprises-act\\_2022-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2022-01_no-surprises-act_2022-01.pdf).

<sup>6</sup> Amanda Dunker and Elisabeth Benjamin, “Financial Hardship, Avoiding Care: Results from Statewide Survey, Community Service Society of New York, March 10, 2022, <https://www.cssny.org/news/entry/financial-hardship-avoiding-care-healthcare-affordability-survey>.

<sup>7</sup> Altarum Healthcare Value Hub, “Rethinking Consumerism In Healthcare Benefit Design,” April 2016, [https://www.healthcarevaluehub.org/application/files/8115/6241/7308/Hub-Altarum\\_RB\\_11\\_-\\_Rethinking\\_Consumerism.pdf](https://www.healthcarevaluehub.org/application/files/8115/6241/7308/Hub-Altarum_RB_11_-_Rethinking_Consumerism.pdf).

<sup>8</sup> Altarum Healthcare Value Hub, “Rethinking Consumerism In Healthcare Benefit Design.”

<sup>9</sup> Amanda Dunker and Elisabeth Benjamin, “Financial Hardship, Avoiding Care: Results from Statewide Survey.”

<sup>10</sup> “CFPB Estimates \$88 Billion In Medical Bills on Credit Reports,” March 1, 2022, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-estimates-88-billion-in-medical-bills-on-credit-reports/>.

<sup>11</sup> Lucas Nathe and Ryan Sandler, “Paid and Low-Balance Medical Collections on Consumer Credit Reports.”

Lack of health insurance, which includes five percent of New Yorkers (slightly over one million people), contributes to medical debt.<sup>12</sup> Immigrants make up a large share of New York's uninsured population because they are excluded from federally-funded health programs.<sup>13</sup> Other uninsured New Yorkers are eligible for free or low-cost coverage but not enrolled or have opted not to buy their own insurance because they find it unaffordable. Uninsured patients with low or moderate incomes (as well as some insured patients) have some protection through the State's hospital financial assistance law, which requires hospitals to bill eligible patients at discounted prices. However, there is ample evidence that eligible patients are frequently not informed about the discounts or are prevented from successfully applying.<sup>14</sup>

Insurance reduces, but does not eliminate, medical debt.<sup>15</sup> Insured patients with medical debt are often underinsured, defined by the Commonwealth Fund as having out-of-pocket costs that are 10 percent or more of their income.<sup>16</sup> The Commonwealth Fund estimates that 25 percent of people with employer-based health insurance are underinsured.

## **Recommendations**

Patients with medical debt have some credit protections, but given the nature of medical debt, they need more. In 2015, several State Attorneys General (including New York's) reached a settlement with the national credit reporting agencies resulting in a waiting period of 180 days before reporting medical debt and the removal of medical debt paid by insurance.<sup>17</sup> In March 2022, the credit reporting agencies agreed to extend the waiting period to one year, remove all paid medical debt, and as described above, remove medical debt below \$500.<sup>18</sup>

New York should extend these protections:

First, New York should enact a law that prohibits credit agencies from including any medical debt in reports. The federal Bureau of Consumer Financial Protection has affirmed that

---

<sup>12</sup> Amanda Dunker, Elisabeth Benjamin, and Patrick Orecki, "Narrowing New York's Health Insurance Coverage Gap," Community Service Society and Citizens Budget Commission, January 2022, <https://www.cssny.org/publications/entry/narrowing-new-yorks-health-insurance-coverage-gap>.

<sup>13</sup> Amanda Dunker, Elisabeth Benjamin, and Patrick Orecki, "Narrowing New York's Health Insurance Coverage Gap."

<sup>14</sup> See Carrie Tracy, Elisabeth Benjamin, and Amanda Dunker, "Unintended Consequences - How New York State patients and safety-net hospitals are short changed," Community Service Society of New York, January 2018, [https://www.cssny.org/publications/entry/unintended\\_consequences](https://www.cssny.org/publications/entry/unintended_consequences) and Amanda Dunker and Elisabeth Benjamin, "Discharged Into Debt: New York's Nonprofit Hospitals Garnish Patients' Wages," July 2022, <https://www.cssny.org/publications/entry/discharged-into-debt-new-yorks-nonprofit-hospitals-garnish-patients-wages>.

<sup>15</sup> Kluender R et al., "Medical Debt in the US, 2009-2020," JAMA. 2021;326(3):250-256. doi:10.1001/jama.2021.8694.

<sup>16</sup> Collins et al., "U.S. Health Insurance Coverage In 2020: A Looming Crisis In Affordability," Commonwealth Fund, August 2020, [https://www.commonwealthfund.org/sites/default/files/2020-08/Collins\\_looming\\_crisis\\_affordability\\_biennial\\_2020\\_sb.pdf](https://www.commonwealthfund.org/sites/default/files/2020-08/Collins_looming_crisis_affordability_biennial_2020_sb.pdf).

<sup>17</sup> Lucas Nathe and Ryan Sandler, "Paid and Low-Balance Medical Collections on Consumer Credit Reports."

<sup>18</sup> Ibid.

states can enact such a law without being preempted by the Fair Credit Reporting Act.<sup>19</sup> As described above, medical debt is rarely a voluntary occurrence. Individuals should not have their fiscal lives ruined, just because they needed to secure lifesaving or medically necessary health care. Second, at the very least, the legislature should enact S8118B/A10183A, which would provide a mechanism for reporting economic hardship resulting from the pandemic to the credit agencies. This would stop pandemic-related debt from appearing as adverse information on credit reports, including medical debt resulting from Covid-19. It would also help reduce the financial harm experienced by New Yorkers who closed their businesses or lost their job to follow emergency health guidelines.

New Yorkers also need help affording medical care before it becomes medical debt. Patients commonly take out loans and use credit cards to pay medical bills, none of which would receive credit protections as medical debt. To make health care more affordable, New York should enact S1572A/A880A to ensure health insurance coverage for everyone, regardless of immigration status. It should also enact S~~2~~7625A/A8441A modernize the hospital financial assistance law to stop patients from being billed at the highest rates when they are eligible for discounts. Bills to accomplish both will be re-introduced this session.

Thank you for the opportunity to submit this testimony today. Should you have any questions, please do not hesitate to contact me at: 212-614-5401 or at [ctracy@cssny.org](mailto:ctracy@cssny.org).

---

<sup>19</sup> Bureau of Consumer Financial Protection, "The Fair Credit Reporting Act's Limited Preemption of State Laws," <https://www.consumerfinance.gov/rules-policy/final-rules/the-fair-credit-reporting-acts-limited-preemption-of-state-laws/>.