COUNTY OF LOS ANGELES
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August 12, 2024

Rohit Chopra, Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Dear Director Chopra:

RE: Public Comment: Consumer Financial Protection Bureau (CFPB) Docket Number CFPB-2024-0023 Proposed Rule on Medical Debt Information Regulation V

Los Angeles County is deeply committed to protecting the health and financial well-being of approximately 10 million adults and children in our diverse jurisdiction. As one of the largest local governments in the United States, Los Angeles County holds extensive influence and responsibility in safeguarding public well-being. Our county faces a significant challenge with a poverty rate of 14.1%, which exceeds the national average of 11.6%, according to the 2022 census. Despite this, Los Angeles County remains steadfast in its commitment to addressing this pressing issue, working diligently to implement comprehensive solutions and enhance the quality of life for all residents. In line with this commitment, on October 3, 2023, the Board of Supervisors passed a motion to reduce and prevent medical debt through several strategies, including: 1) development of an ordinance that requires the Department of Public Health to collect and report data and policies on debt collection and financial assistance activities from hospitals operating in Los Angeles County, with information posted publicly and updated regularly on an online dashboard; 2) partnering with hospitals operating in the County to identify and share best practices related to debt collection and financial assistance activities; 3) exploring the feasibility and funding options for purchasing and retiring medical debt for County residents; 4) advocating at the State and Federal levels on policies that promote medical debt reduction and prevent medical debt from impacting credit scores; and 5) identifying additional opportunities to reduce medical debt in LA County through county and healthcare facilities policies and practices and improving access to financial assistance, legal resources, and consumer protection, while working with Medi-Cal managed care plans to educate members on coverage limitations and healthcare resource accessibility.

On August 6, 2024, the County Board of Supervisors passed an ordinance that requires the collection and reporting of data and policies on debt collection and financial assistance activities from hospitals operating in Los Angeles County. Moreover, on June 25, 2024, the Board took action to approve a pilot program to relieve medical debt in the County.

We support the Consumer Financial Protection Bureau's (CFPB) proposed rulemaking to amend Regulation V, which would limit the use of medical debt information in credit decisions. This rule would provide critical protections for consumers burdened by medical debt, ensuring that their financial well-being is not unfairly jeopardized due to medical expenses. Medical debt remains a significant issue affecting millions of Americans, often leading to severe financial hardship and limiting access to essential services such as housing, employment, and attaining additional credit. Restricting the use of medical debt information by creditors is a crucial step towards fostering a fairer and more equitable financial system and would significantly benefit the residents of Los Angeles County.

The urgency of this new amendment to Regulation V is underscored by the findings of the Urban Institute, revealing that about 7.8% of all California consumers and 8.5% of Black Californians with a credit report had medical debt listed on it. The 2023 Los Angeles Baseline Medical Debt Report and recent update showed that at least one in ten adult residents in LA County is burdened by medical debt. Individuals burdened by medical debt are 2.5 times more likely to experience food insecurity, 3 times more likely to postpone or forgo necessary healthcare, and 3.5 times more likely to face housing instability than those without burdensome medical debt. Marks on credit cause a heightened risk of rental or mortgage denials and increase risk of unstable housing situations and homelessness. Medical debt can also hinder employment opportunities as many employers consider credit reports during the hiring process. This compounds the burden of medical debt for individuals and families in the county and disproportionately affects vulnerable populations, exacerbating inequalities and hindering economic mobility.

In addition to the regulatory changes that have already been proposed, the County urges consideration of an additional rule prohibiting the furnishing to a credit reporting agency, and the reporting by a credit reporting agency, of debt arising from third-party medical financial services. The County is concerned that allowing the continued reporting of debt sourced from these products, specifically medical credit cards and medical installment loans with high interest rates and deferred interest promotions, will incentivize medical providers to promote these payment options for non-elective and emergency medical services. The issue with including these products is that it is difficult to separate loans for elective medical services, which reflect the debtor's creditworthiness, from loans for non-elective services, which are often taken out of necessity and under duress. We recommend restricting reporting of any debt arising from these products unless the medical provider and consumer both attest to the elective nature of the service. This would transfer the responsibility to the medical and financial industries to clearly delineate between necessary and elective medical care, and only report debt from the latter when reporting to a credit agency.

Furthermore, the County recommends that the aim should be to restrict the prevalent industry practice of reporting medical debt in all its forms to credit reporting agencies because this broader approach ensures that all forms of potentially inaccurate and unfair medical debt reporting are addressed, providing comprehensive protection for consumers. This practice, often employed by debt collectors, allows claims to be pursued without any validation of the amounts involved. Consumers, when faced with critical financial decisions impeded by the reporting of this debt, are pressured to settle the claims quickly without questioning their accuracy. Medical debt claims have been inaccurate at times and failed to hold up under the scrutiny of a formal third-party reviews, whether it be in court or dispute resolution processes. By eliminating the ability to deploy this tactic, consumers will have a greater opportunity to challenge inaccuracies without the immediate pressure to resolve their credit history. By restricting the use of medical debt information, the CFPB's proposed rule will help protect consumers from the negative consequences of medical debt on their credit reports, thereby promoting greater financial security and well-being. Los Angeles County supports the implementation of the proposed rule and thanks you for the opportunity to comment. We look forward to working with the CFPB on this critical issue of medical debt. For further information or collaboration, please contact Dr. Naman Shah at NShah@ph.lacounty.gov.

Sincerely,

Barbara Ferrer, Ph.D., M.P.H., M.Ed.
Director