Restrictions on the collection and credit reporting of medical debts negatively affect the availability, quality, and cost of medical services and treatments for consumers. Medical providers react to their newfound inability to collect medical bill payments and determine the medical credit history of potential patients by reducing the availability and quality of medical services increasing costs. This is due to an overabundance of unpaid medical debts or uninsured patients. Though some may claim that people worried about medical debt may become more likely to seek and receive care knowing that potential debt might not be collected, I will argue that this intangible effect does nothing to offset the negative outcome of the restrictions.

Medical debt has constituted most of the consumer debt for the last decade, and consumers with such debt often find their ability to obtain insurance, work, or a home restricted.[1] However, in August 2022, credit bureaus announced that Vantage scores (one of the most common credit scores in the United States) would no longer take medical debt into account when calculating credit scores. Furthermore, in April 2023, medical collections under $500 stopped appearing on credit reports. The result of these changes was drastic; it is estimated that at least 15 million consumers benefited from these changes, with Urban Wire estimating a 30-point increase in the credit scores of consumers who previously had medical debt. Scores increased on average from 585, a 'subprime' level, to 615, a 'near-prime' level.[2] Since medical debt was the most common kind of consumer debt, a large number of people were positively impacted by this change.

[1] Medical Debt Was Erased from Credit Records for Most Consumers, Potentially Improving Many Americans' Lives | Urban Institute

[2] Medical Debt Was Erased from Credit Records for Most Consumers, Potentially Improving Many Americans' Lives | Urban Institute

Unfortunately, these changes to credit reporting and collection resulted in changes to healthcare services that negatively affect consumers.[3] When medical debt is consistently not paid off or if healthcare providers are unable to aggressively pursue the collection of such debt, the average cost of healthcare increases. Providers attempt to offset these newfound monetary losses by increasing the cost of health insurance and direct-to-consumer care. They might also enact stricter regulations regarding which patients they choose to treat, thus limiting the overall availability of medical services. For example, they may choose to deny patients without insurance or with a detectable history of non-payment. While this makes sense from a profit-driven perspective, it restricts access to healthcare and particularly affects communities that face unrelated financial constraints.[4] In extreme cases, one can imagine large hospitals choosing to shut down branches servicing such low-income communities if medical debt accrued by their patients frequently goes unpaid, solely to save costs. Of course, this would severely restrict the availability of medical treatment to members of these communities.

Finally, the overall quality of medical care may be diminished due to these restrictions. Rather than cutting costs through the methods previously discussed, medical providers could look to offset uncollected debts by cutting costs in various crucial areas. They may cut staff, lowering the number of nurses, doctors, and other crucial members of the medical community. Furthermore, they may be less inclined to invest in new technologies, research, or other crucial areas that greatly improve healthcare quality. These decisions decrease the overall quality of care that patients receive and would have many long-term negative effects on consumers, both visible and invisible.

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[3] Medical Debt Was Erased from Credit Records for Most Consumers, Potentially Improving Many Americans' Lives | Urban Institute

[4] Biden admin to ban medical debt from Americans' credit scores (fiercehealthcare.com)

Some might point out the potential positive effects of these changes to medical debt collecting and reporting. Emily Stewart, executive director of Community Catalyst, argues that people should not have their credit impacted "simply because they got sick."[5] With these changes, consumers will likely become less fearful of damaging credit scores, so those burdened by medical debts (which is a poor predictor of actual credit risk)[6] are more likely to finance medical debt payment plans over a longer period. Therefore, they become more easily able to do things like obtain insurance, find work, and rent a home when they need to. Patient behavior most likely will react positively as well. As medical debt stops being reported, it is much more likely that someone experiencing a health crisis will continue to seek out medical care even if they have prior medical debt.

However, these potential changes in patient behavior will not change the fact that healthcare providers have experienced a significant decrease in revenue due to an inability to collect unpaid debt. This leads them to decrease the quality and availability while increasing the cost of the care they provide. Combined with the ambiguity of a lack of reporting medical debt, there is no doubt as to the significant harm these changes do to consumers in both the short and long run.

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[5] Biden admin to ban medical debt from Americans' credit scores (fiercehealthcare.com)

[6] 201405_cfpb_report_data-point_medical-debt-credit-scores.pdf (consumerfinance.gov)