Medical Credit Cards and Financing Plans

Consumer Financial
Protection Bureau

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Executive Summary

Financial institutions and fintech companies are generating a growing number of financing mechanisms for families and individuals struggling to pay their out-of-pocket healthcare expenses. This report provides an overview of medical credit cards and loans used for services and procedures for basic medical treatment and emergency health care. We then analyze data on a common form of credit and the high costs incurred by many patients.

Key findings of this report include:

- Medical credit cards and loans used to be restricted to paying for elective procedures. In recent years, these products have been also offered for basic medical treatment and emergency health care and are growing in scope. These products are often offered by a trusted doctor or nurse in doctor's offices or hospitals when their patients are under significant stress.

- Medical financing companies market their products to healthcare providers by touting their products' cost-saving features and that patients can pay for more expensive medical care that may not be covered by their insurance. However, when these products are offered by medical providers, patients appear not to fully understand the terms of the products and sometimes end up with credit they are unable to afford.

- Many medical credit cards offer people deferred interest, or springing interest, terms for a time period of between six and eighteen months. If someone has a remaining balance after the designated promotional period, they are charged all the interest that would have accrued since their original purchase date. These products are typically more expensive than other forms of payment due to the higher interest payments.

    - People paid $1 billion in deferred interest payments for these healthcare charges from 2018-2020. People used cards or loans with deferred interest terms to pay for almost $23 billion in healthcare expenses, and over 17 million medical purchases, from 2018 to 2020.

    - From 2017 to 2020, the share of medical borrowing on deferred interest grew relative to other deferred interest borrowing. This is true across all ranges of credit scores.

    - CFPB analysis indicates that, between 2015 and 2020, people incurred interest on 20 percent of their healthcare purchases when using deferred interest cards or loans. People with credit scores below 619 incurred interest more frequently, for about 34 percent of their healthcare purchases. In part, people with lower credit scores may have been more likely to incur interest because they were more likely to have shorter periods before they were charged deferred interest.

- Patients who should be eligible to receive reduced or free care through a financial assistance program or their insurance plan may instead be signed up for a medical card or loan. Many people would be better off without these products for two reasons: the financial burden can be higher and their ability to challenge an inaccurate bill is complicated when they are working through a third party financial institution.

- The terms of credit for medical credit cards and financing plans can vary greatly in terms of annual percentage rates (APRs), length of the special financing period, and other terms. The APR of the typical medical credit card is 26.99 percent; currently, the mean APR for all general purpose credit cards is approximately 16 percent.[1]

The growing promotion and use of medical cards and installment loans can increase the financial burden on patients who may pay more than they otherwise would pay and may compromise medical outcomes. When people are unable to pay their medical bills, research shows this can deter them from seeking needed healthcare in the future. The use of medical cards and installment loans, and their promotion by medical providers, has ripple effects on the broader cost of healthcare, consumer wellbeing, and the economy.

[1] "Consumer Credit – G.19," Board of Governors of the Federal Reserve System, March 7, 2023, https://www.federalreserve.gov/releases/g19/current/.

1. Introduction

Recent research indicates that about half of U.S. adults find it difficult to afford the cost of their healthcare.[2] Out-of-pocket healthcare costs for insured and uninsured have steadily increased year over year. In response, many financial institutions and medical providers are offering alternative financing products such as medical credit cards, medical installment loans, health savings accounts and flexible savings accounts.

This report focuses on point-of-sale credit products, including medical credit cards and installment loans, that were once used primarily for elective care but now cover everything from emergency visits and specialty care to regular checkups. Financial companies market these products to healthcare providers, who are encouraged to promote them to patients. These medical credit cards and installment loans have largely replaced the low- or no-cost informal payment plans offered to patients directly by their medical providers. Instead, the medical financial products are generally more expensive than other forms of credit. Patients who use them may find themselves facing fees, interest charges, and adverse financial outcomes they didn't anticipate.

This report complements the previous CFPB research on medical debt and credit reports.[3] As prior CFPB publications have noted, patients may be charged an inflated amount, for services they never received, or when they should have been covered by their insurance, a benefit program or a hospital's required financial assistance program.[4]

We provide an overview of the landscape of medical financial products and plans, especially those that may be significantly more expensive than other forms of payment. We discuss how rising medical costs, the increasing financialization of healthcare, and the interaction of financial companies and healthcare providers may fundamentally alter the relationship between patient and doctor and result in patients losing leverage to negotiate their bills.

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[2] *See* "Health-Care Expenses" in "Economic Well-Being of U.S. Households (SHED)," Board of Governors of the Federal Reserve System, May 2022, https://www.federalreserve.gov/publications/2022-economic-well-being-of-us-households-in-2021-dealing-with-unexpected-expenses.htm; and Michael Ollove, "Many Patients Can't Afford Health Costs Even With Insurance," Pew Trusts, October 7, 2022, https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/10/07/many-patients-cant-afford-health-costs-even-with-insurance.

[3] *See* Alyssa Brown and Eric Wilson, "Data Point: Consumer Credit and the Removal of Medical Collections from Credit Reports," Consumer Financial Bureau, April 2023, https://www.consumerfinance.gov/data-research/research-reports/consumer-credit-and-the-removal-of-medical-collections-from-credit-reports/; and Lucas Nathe and Ryan Sandler, "Paid and Low-Balance Medical Collections on Consumer Credit Reports," Consumer Financial Protection Bureau, July 2022, https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports.

[4] "Complaint Bulletin," Consumer Financial Protection Bureau, April 2022, https://files.consumerfinance.gov/f/documents/cfpb_complaint-bulletin-medical-billing_report_2022-04.pdf.

2. Background

Both insured Americans and the approximately 27 million people without medical insurance face significant challenges paying for necessary and often life-saving medical procedures.[5] Many medical services and devices – such as fertility treatments, auditory devices, and dental services – may not be covered fully or at all by insurance. Average deductibles for people with employer-sponsored insurance have grown 336 percent in the last two decades, from $650 in 2002 to $1,945 in 2020,[6] and a growing share of insured consumers are enrolled in high-deductible plans.[7] As a result, it's increasingly likely that more people will use financial alternatives, including different forms of credit, to cover routine and unexpected healthcare costs. Medical financial products, including medical credit cards and installment loans, are two widely available alternatives. Medical providers stand to benefit from offering these products because of the reduced expenditures related to billing and collection these products may offer, the potential for increased sales, and in some cases by avoiding the complication of securing reimbursement from insurance companies. In this section we discuss in more detail the characteristics of medical financing products and plans, and the marketing of these products to medical providers.

2.1 Medical financing products and plans

Medical financial payment products and plans generally include medical credit cards and installment loans used to help cover the cost of medical treatments. In both cases, charges are limited to the cost of medical procedures or services at participating medical service providers, including dental, vision, pharmacy, primary and specialty care, labs and diagnostics, and

[5] *See* Table 1 of Katherine Keisler-Starkey and Lisa N. Bunch, "Health Insurance Coverage in the United States: 2021, Current Population Reports, P60-278," U.S. Census Bureau, September 2022, https://www.census.gov/content/dam/Census/library/publications/2022/demo/p60-278.pdf.

[6] Jake Spiegel and Paul Fronstin, "Recent Trends in Patient Out-of-Pocket Cost Sharing," Employee Benefit Research Institute, July 2022, https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_564_oopcostsharing-28july22.pdf.

[7] Approximately half of private sector workers were enrolled in high deductible plans in 2020, up from approximately 39 percent in 2015. Sara R. Collina, David C. Radley, and Jesse C. Baumgartner, "State Trends in Employer Premiums and Deductibles, 2010-2020," The Commonwealth Fund, January 12, 2022, https://www.commonwealthfund.org/publications/fund-reports/2022/jan/state-trends-employer-premiums-deductibles-2010-2020. Enrollment in High Deductible Health Plans with Savings Options (HDHP/SOs) has increased from 19 percent of covered workers in 2012 to 29 percent in 2022. "2022 Employer Health Benefits Survey," Kaiser Family Foundation, October 27, 2022, https://www.kff.org/report-section/ehbs-2022-section-8-high-deductible-health-plans-with-savings-option/. *See also* Jaime Cattanach, "High Deductible Health Plans Continue to Grow in Popularity, but Are They Right for You?" Value Penguin, last modified January 24, 2022, https://www.valuepenguin.com/high-deductible-health-plan-study.

outpatient care.[8] According to available public information, the financing terms for medical credit cards and financing plans vary greatly and may cover medical bills as low as $35 and as high as $40,000. These products are mostly marketed to patients through their medical providers but serviced through financial services companies.[9]

Medical credit cards

Medical credit cards were initially offered to consumers to cover the cost of medical services or procedures that are not generally covered by insurance, such as dental or audiology services.[10] More recently, medical credit cards have expanded to cover the cost of wide-ranging preventative and emergency care received at doctors' offices and hospitals. Some medical credit cards only permit charges from medical providers that are part of their network.[11]

Currently, medical credit cards are primarily offered through three financial companies: CareCredit, a subsidiary of Synchrony Financial; Wells Fargo; and Comenity, a subsidiary of Bread Financial.[12] CareCredit can be used for a wide range of medical costs, from basic services to elective procedures. Wells Fargo offers the Health Advantage Card in partnership with medical providers that provide a wide range of medical services, including audiology, dental, veterinary, and vision.[13] Comenity's Alphaeon Credit Card, however, can only be used to cover the cost of certain elective procedures.[14] When a patient is signed up for a medical credit card, their card can be used again for medical services until they reach their credit limit.

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[8] CareCredit, one of the issuers of medical credit cards, advertises more than 250,000 locations that accept their products. *See* "Locations that Accept Care Credit," CareCredit, accessed February 28, 2023, https://www.carecredit.com/find-a-location/.

[9] This report does not review general purpose credit cards or loans that are used in medical care context but not marketed or restricted for medical-only use.

[10] Katherine Davis, "Hospitals Pitch Plastic to Patients Facing Costly Treatments," Crain's Chicago Business, September 1, 2022, https://www.chicagobusiness.com/health-care/hospitals-medical-credit-cards-patients-afford-treatment.

[11] *See* Appendix A for examples of some medical financing products and their terms, specifically the column detailing "Services Covered."

[12] *See* page 6 of the GAO's report on credit card usage for medical services. "Consumer Finance: Credit Cards Designed for Medical Services not Covered by Insurance," U.S. Government Accountability Office, June 19, 2014, https://www.gao.gov/assets/gao-14-570.pdf. Research indicates that the retail networks listed in the GAO Report no longer offer branded cards but use other financing methods or membership plans. "Financing," American Laser Skincare Northwest," accessed February 28, 2023, https://www.americanlaser.com/financing; and "Membership," Ideal Image, accessed February 28, 2023, https://www.idealimage.com/.

[13] "Wells Fargo Health Advantage Card," Wells Fargo, accessed February 28, 2023, https://retailservices.wellsfargo.com/locator/WFHA.

[14] Alphaeon Credit offers patient financing with Board Certified Plastic Surgeons and Dermatologists. "Alphaeon Credit Card," Comenity, accessed March 10, 2023, https://d.comenity.net/ac/alphaeoncosmetic/public/home.

Available data show significant growth in this industry over the last several years. For example, CareCredit grew from 4.4 million cardholders and 177,000 participating providers in 2013 to 11.7 million cardholders and over 250,000 enrolled healthcare providers in 2023.[15]

Medical installment loans

Medical installment loans differ from medical credit cards in that they are generally offered before a treatment and only authorized to cover that treatment (for example, to cover the cost of a root canal procedure).[16] Historically, most medical providers offered payment plans, particularly for people with lower incomes or no insurance.[17] These no-cost or low-cost accommodations, however, have increasingly been replaced by structured installment loans designed and administered by financial companies that specialize in medical installment lending.[18]

These loans may either originate through the financing company in partnership with the medical provider or directly through a medical provider with the financing company providing marketing and administrative services.[19] Installment loans that originate with a medical provider tend to have zero or low-interest rates, while loans originated through financing companies tend to charge market interest rate or above, depending on a patient's credit risk.[20]

Some medical installment loan providers include AccessOne, Prosper, PayZen, and Walnut, though the number of medical installment loan providers is much greater than the number of

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15 "Is CareCredit widely used?" in "Frequently Asked Questions," CareCredit, accessed February 28, 2023, https://www.carecredit.com/providers/faq/. According to the GAO, CareCredit had relationships in 2013 with 107 professional and other associations, including the American Dental Association. These associations endorse and promote CareCredit products to their members. GAO, "Credit Cards Designed for Medical Services." Purchase volumes increased from 7.8 B in 2015 to 11.7 B in 2021 according to SEC filings.

16 Installment loans are occasionally referred to as "financing plans." We use these terms interchangeably.

17 Davis, "Hospitals Pitch Plastic to Patients."

18 *See, e.g.* Noam Levey and Aneri Pattani, "How Banks and Hospitals Are Cashing In When Patients Can't Pay for Health Care," National Public Radio, November 17, 2022, https://www.npr.org/sections/health-shots/2022/11/17/1136201685/medical-debt-high-interest-credit-cards-hospitals-profit.

19 Some companies, such as Upstart, market their product directly to people with medical debt as a way to pay off their medical bills with a three- to five-year installment loan with interest rates ranging from 6.7% to 35.99%. *See* "Medical Loans: Funds for Medical and Dental Expenses," Upstart, accessed May 2, 2023, https://www.upstart.com/medical-loans.

20 All are considered point-of-sale installment products subject to various regulatory requirements. Products with more than four payments or that include interest charges are subject to the Truth in Lending Act (TILA) and Regulation Z. Some, but not all, providers are subject to regulatory requirements, including enforcement and supervision by the CFPB and prudential regulators.

medical credit card lenders, and these products vary in many ways.[21] The appendix includes a sample of installment loans and publicly available information on their terms and conditions. Some installment loan providers target patients with low credit scores while others target certain procedures, such as fertility treatments.[22] For example, PrimaHealth Credit offers installment loans for people with “challenged” credit quality[23] and claims that 89 percent of applicants are approved.[24] The company also advertises that its machine-learning algorithms allow it to match patients to payments they can afford and then pays medical service providers upfront for people with higher credit scores.[25] For patients with lower credit scores, the medical service provider receives payments from PrimaHealth Credit as they are collected, meaning the provider carries the risk of the patient not paying their full bill.[26] This can create an incentive for providers to avoid offering care to people assumed to have limited access to credit or designated by a financial company as being a high-credit risk including people with limited English proficiency, older Americans, and people with lower incomes.

2.2 Marketing of medical financing products to healthcare providers

Medical financing companies that offer credit cards or installment loans rely heavily on medical service providers’ promotion of lending products to their patients. Financial institutions market these products to providers emphasizing delivering payments within a few days, reducing the administrative burden associated with collecting bills or negotiating with insurance, and providing a way to minimize financial risk.[27] The financial services companies manage the

[21] *See* Appendix A for a sample of medical installment loan providers, specifically the column listing “Company Name.”

[22] “ARC Fertility Financing,” Advanced Reproductive Care, accessed April 28, 2023, https://www.arcfertility.com/arc-affordable-options/arc-financing/.

[23] “For Patients,” PrimaHealth Credit, accessed February 28, 2023, https://primahealthcredit.com/patients.

[24] “About,” PrimaHealth Credit, accessed February 28, 2023, https://primahealthcredit.com/about.

[25] “Providers,” PrimaHealth Credit, accessed February 28, 2023, https://primahealthcredit.com/providers.

[26] PrimaHealth Credit manages service and collections, payment processing, resolves past due accounts and handles all credit reporting. PrimaHealth Credit, “Providers.” PayZen’s claims that its system integrates with existing billing systems and provides accurate pricing of risk. PayZen claims that their system leads to a 50 percent increased collections rate. “For Providers,” PayZen, accessed February 28, 2023, https://payzen.com/for-providers/.

[27] CareCredit tells providers they will be paid in 2 business days and will be charged a processing fee based on the conditions of the financing option. "How CareCredit Works for Providers," CareCredit, accessed February 28, 2023, https://www.carecredit.com/providers/how-it-works/; and CareCredit, "Frequently Asked Questions." Cherry states that providers will be paid no later than 2 business days. “Provider FAQs,” Cherry, accessed February 28, 2023, https://withcherry.com/faq/. MedCredit also claims the provider will be paid instantly. "MedCredit Financial Services,” Accounts Receivable Services LLC, accessed February 28, 2023, http://www.arsprofessionals.com/medcredit.html.

billing and collections process and make revenue through interest and fees. Many medical providers previously offered zero interest installments loans that are increasingly displaced by the growing industry of medical credit cards and loan companies.

In turn, medical providers are given sales and marketing training, promotional flyers and materials explaining their financial products, and in-house financing application software to help expedite the patient intake process.[28] Medical financing companies also advertise that by offering their products, medical providers can offer consumers additional or more expensive treatments[29] and other non-financial benefits such as alleged increased patient goodwill.[30]

Medical financing products are marketed as reducing the medical providers' costs. When a patient cannot pay their bill upfront, the medical provider typically takes on the costs associated with mailing statements, processing accounts receivable, handling disputes, and engaging debt collectors to recover the amounts they bill patients.[31] When a patient pays for medical services out-of-pocket or via credit card or installment loan, the medical provider avoids many of these costs and generally receives payment immediately or within days. This is particularly advantageous for medical providers that serve patients who are uninsured or underinsured, do not have a credit card, or have insufficient cashflow to cover the cost of medical treatment. To the extent that processing or management fees paid by medical providers decrease with the number of consumers enrolled by a medical provider – as may be the case for some financing

[28] *See, e.g.,* Allison J. Zimmon, "Rx For Costly Credit: Deferred Interest Medical Credit Cards Do More Harm Than Good," *Boston College Journal of Law & Social Justice*, vol. 35 (May 2015): 319-353, https://lira.bc.edu/work/ns/44ec3f8d-03fd-45f9-b715-73099fad6dda; and Jim Hawkins, "Doctors as Bankers: Evidence from Fertility Markets," Tul*ane Law Review, v*ol. 84 (July 2009): 841, https://ssrn.com/abstract=1435610.

[29] For example, "Cherry can be used for consumers that want a product/service but don't want to pay the full amount upfront today. This gives you, the business owner, the power to upsell and increase your sales." Cherry, "Provider FAQs." *See also* Zimmon, "Rx For Costly Credit;" and "Credit Cards and Finance Lines for Medical Care: Lenders Push Risky Credit for Everything from Cancer to Botox," Consumer Reports, July 2008, https://www.consumerreports.org/cro/2012/04/overdose-of-debt/index.htm#.

[30] Some financing companies also claim that offering financing products increases patient goodwill towards their medical provider, as patients are newly able to afford care. *See, e.g.,* ARS LLC, "MedCredit Financial;" and PrimaHealth Credit, "Providers." *See also* Zimmon, "Rx For Costly Credit."

[31] These costs can be quite significant: estimates for billing and insurance administrative spending as a percent of the Total National Health expenditures range from 13 to 16.8 percent. Laura Tollen, Elizabeth Keathing, and Alan Weil, "Health Spending," *Health Affairs*, February 20, 2020, https://www.healthaffairs.org/do/10.1377/forefront.20200218.375060/full/. A 2007 article found that medical practices pay at least three dollars per bill for doctor-administered payment plans, ultimately costing physicians money attempting, perhaps unsuccessfully, to recovered what they are owed. Pamela Lewis Dolan, "Collecting the Patient Portion: Being Proactive, Early and Often," *American Medical News*, April 2, 2007, https://amednews.com/article/20070402/business/304029994/4/.

companies – medical providers have an additional incentive to enroll as many patients as possible.[32]

Consumer complaints to the CFPB suggest that, rather than benefitting consumers, as claimed by the companies offering these products,[33] these products in fact may cause confusion and hardship for some of their patients. For example, one complaint to the CFPB read, "The employees at medical offices are selling a product they know little about without fully disclosing the terms and conditions to their patients."[34] Another complaint alleged that healthcare professionals are not always forthcoming about complicated credit terms.[35]

3. Risks to Patients

To help cover out-of-pocket or surprise medical expenses, patients may turn to medical credit cards or loans offered by their medical providers if they don't have sufficient cash, have limited access to credit, do not realize they are eligible for a hospital's financial assistance program, or simply want to ensure they can receive treatment quickly. In some cases, patients report being signed up without their consent or knowledge. In general, it is more difficult for patients to process complex information when in pain or under stress.[36]

When presented with a diagnosis or treatment plan, patients are focused on making the best healthcare decision for themselves and their family and are heavily reliant on the provider's advice and direction.[37] In turn, they may extend their trust in medical providers to a referred

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[32] There are no publicly-available specifics on processing fees or how they are set. For example, CareCredit states that the processing rate is based on a few factors and that one of these factors includes the financing option the consumer selects. CareCredit, "Frequently Asked Questions." Cherry charges an unspecified merchant fee to the medical service provider. *See* "How do I get paid?" in Cherry, "Provider FAQs." Estimates from 2008 put CareCredit's processing fee rate at 13.5 percent. This is often significantly higher than credit card merchant rates of $2 or less. Consumer Reports, "Credit Cards and Finance Lines for Medical Care."

[33] *See, e.g.,* ARS LLC, "MedCredit Financial;" and PrimaHealth Credit, "Providers." *See also* Zimmon, "Rx For Costly Credit" (which suggests that patients appreciate the increased access to care that medical financing provides).

[34] Edited for clarity. "Complaint 3949387," Consumer Financial Protection Bureau, November 12, 2020, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3949387.

[35] Edited for clarity. "Complaint 6098379," Consumer Financial Protection Bureau, November 12, 2020, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/6098379.

[36] *See, e.g.,* Lauren Horwitz, "Medical Credit Cards: A Clash between Physicians' Interests and Patients' Rights," *Loyola of Los Angeles Law Review*, vol. 42 (March 2009), https://digitalcommons.lmu.edu/llr/vol42/iss3/8 and references therein.

[37] Starke and Brand (p. 926) show that, when individuals make decisions under ambiguity and risk, there is a small but significant effect of stress on decision making in that stress induces preferences for rewards without consideration of potential negative consequences. Katrin Starcke and Matthias Brand, "Effects of Stress on Decisions Under Uncertainty: A Meta-Analysis," *Psychological Bulletin*, vol. 146 (September 2016): 909-933, https://pubmed.ncbi.nlm.nih.gov/27213236/.

financial services company.[38] The stress of assessing one's financial options in the presence of a medical provider can also impose a significant burden on a patient.[39]

Although prior efforts by the CFPB and state regulators have focused on improving disclosures,[40] some people continue to feel misled about the terms and conditions of medical financing products.[41] For example, patients who sign up for a credit card or loan at a medical provider's location – where the majority of medical financing products are offered and accepted[42] – may believe they are on a payment plan provided by their doctor's office without realizing they are taking out a third-party credit card or loan.[43] Complaints submitted to the CFPB further show situations where patients don't realize they have been enrolled in a payment plan at all:

> *I am a senior citizen and went to a dentist office in my area to have them do a routine check up on my wife's teeth. They only did two x rays, yet I received a bill for $14,000 for services she never received or we agreed for. The dentist office opened up a credit card in my name in order to pay for these services without my consent. I do not speak good English, and they deceived me of the services we would*

[38] Many consumers have an innate trust in medical providers. Hawkins (2009) suggests that the consumer's trust in their doctors could lead them to make decisions they wouldn't make if they had better or more timely information. *See* Hawkins, "Doctors as Bankers." Jim Hawkins is interviewed in a FoxBusiness article speaking to his research on patient trust in their doctors, even regarding financial decisions. Kelly Dilworth, "Medical Credit Cards: Treatment Today, Payment Headaches Tomorrow," *FoxBusiness*, January 11, 2016, https://www.foxbusiness.com/features/medical-credit-cards-treatment-today-payment-headaches-tomorrow.

[39] A study by Chin and Beckett sought to determine if the mere presence of an observer would reduce the attention experiment participants pay to disclosures. Their results indicate that the presence of an observer affects the attention participants pay to disclosures. Alycia Chin and Dustin H. Beckett, "Don't Watch Me Read: How Mere Presence and Mandatory Waiting Periods Affect Consumer Attention to Disclosures," *Behavioural Public Policy*, vol. 5 (January 2019), https://doi.org/10.1017/bpp.2018.44.

[40] *See* "Consent Order in the Matter of GE Capital Retail Bank, CareCredit LLC, File No. 2013-CFPB-0009," Consumer Financial Protection Bureau, December 10, 2013; "Consent Order in the Matter of Springstone Financial, LLC, File No. 2015-CFPB-0021," Consumer Financial Protection Bureau, August 17, 2015; and "In the Matter of GE Capital Retail Bank and CareCredit, LLC, Assurance No.: 12-103, Assurance of Discontinuance Under New York Executive Law Section, 63, Subdivision 15," Attorney General of the State of New York, June 3, 2013, https://ag.ny.gov/sites/default/files/pdfs/bureaus/health_care/new/AOD_GE.pdf.

[41] *See, e.g.,* Hawkins, "Doctors as Bankers;" and Dilworth, "Medical Credit Cards."

[42] 65 percent of medical credit cards are signed in medical providers' offices. NY State Attorney General, "Assurance of Discontinuance."

[43] Jessica Silver-Greenberg, "Patients Mired in Costly Credit from Doctors," *New York Times*, October 13, 2013, https://www.nytimes.com/2013/10/14/business/economy/patients-mired-in-costly-credit-from-doctors.html; Zimmon, "Rx For Costly Credit;" Hawkins, "Doctors as Bankers;" and Dilworth, "Medical Credit Cards."

receive, and I never received any receipts or copies of anything until I received a bill in the mail from the credit card company.[44]

APRs, term lengths, details of promotional periods, services covered, and other characteristics can also vary significantly from product to product.[45] Many medical financing companies do not vary the price of credit according to the borrower's credit score, offering only one flat APR.[46] Interest rates for medical financing products are generally higher than the interest rates for other products, such as general purpose credit cards.[47] The term lengths for medical installment loans and credit cards can range from three to 60 months. See Appendix A for a sample of terms for medical credit cards and medical installment loans collected from company websites. Our data analysis throughout the rest of this report focuses on products with deferred interest promotions.

Deferred interest promotions

Many medical payment products, such as CareCredit and certain installment loans, offer deferred interest promotions. These products commonly offer zero or low interest for a set period of time, typically a year or longer for medical payment products.[48] Once the promotional period expires, the rates can increase significantly.[49] If a borrower is unable to pay off the full balance of their purchase before the end of the promotional period, they will owe interest on the full purchase amount, not just the remaining balance. Many medical credit card users have reported being surprised when they've been charged interest on the original amount of their purchase after a deferred interest promotion ends.[50]

As an example, a root canal procedure and dental crown could cost a patient $2,400. If the patient uses a medical credit card with a six-month promotional period, they may pay $400

44 Edited for clarity. "Complaint 3325167," Consumer Financial Protection Bureau, July 31, 2019, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/3325167.

45 GAO, "Credit Cards Designed for Medical Services."

46 GAO, "Credit Cards Designed for Medical Services."

47 In 2014, GAO investigated a subset of medical credit cards, finding that the most-used deferred interest promotions had an APR of 26.99 or higher—significantly higher than average rates on general purpose credit cards. *See* GAO, "Credit Cards Designed for Medical Services."

48 Healthcare deferred interest promotions vary in term length, with durations ranging from 6 months to 18 months. In 2020, approximately 38 percent of the total volume of healthcare-related deferred interest promotions, had promotional periods between 12 to 17 months. Approximately 37 percent in original purchase volume in 2020 were for deferred interest promotions with promotional periods of over 18 months, and the remaining roughly 25 percent in purchase volume in 2020 represented deferred interest promotions with a 6- to 11-month promotional period.

49 *See, e.g.,* Zimmon, "Rx For Costly Credit;" and Levey and Pattani, "How Banks and Hospitals are Cashing In."

50 Prior CFPB enforcement case against CareCredit found significant confusion that deferred interest meant interest-free.

each month for six months, and incur no interest. If the patient does not pay off the full balance at the end of the six-month promotional period, interest is incurred at a rate of 26.99 percent from the purchase date. If the patient were to instead use a general purpose credit card with 16 percent APR for the purchase, their monthly payment would be slightly higher each month, but the amount they would pay in interest would be significantly lower than what they would pay with the medical credit card if they were not able to pay off their balance in full by the end of the six-month period.

For the majority of patients who pay off their full balance in the designated time period, deferred interest financing can be advantageous. For those who do not understand the terms – or who cannot pay the amount in full during the promotional period – the cost substantially exceeds the cost of other available credit. As a result, people with low or moderate incomes who face the worst financial outcomes may be subsidizing those who can take advantage of the special financing periods.

One consumer wrote in a complaint to the CFPB:

> *At the time of origination, it was my understanding that I would not be charged interest until [date]. This is not a zero percent promotion as I was led to believe. It is, in fact, a deferred interest loan [...]. If a lender or financing company has a different way of treating payments during an interest-free period, it should be clearly spelled out and explained prior to finding or before one decides to actually borrow funds from them.*[51]

In this report, we analyze information received by the CFPB in an information request from deferred interest credit card lenders to categorize deferred interest expenditures by merchant category, promotion duration, and credit score. We restrict our attention to deferred interest promotions in the healthcare merchant category from 2018 to 2020.

According to this information request, 20 percent of overall healthcare purchases with deferred interest were assessed interest between 2015 and 2020. In that same time, borrowers with credit scores below 619 were charged deferred interest on around 34 percent of purchases. Patients in lower credit score tiers were also more likely to have shorter promotional periods—often between 6 and 11 months. In 2020, 56 percent of deferred interest purchases by borrowers with subprime scores had promotional periods of 11 months or shorter, as opposed to only 41 percent of deferred interest purchases by borrowers with superprime scores. To the extent deferred

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[51] Edited for clarity. "Complaint 5240385," Consumer Financial Protection Bureau, February 19, 2022, https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/5240385.

interest loans replace no cost payment plans or financial assistance that a patient is entitled to receive, patients with lower credit scores can be left significantly worse off financially.

As shown in Figure 1 below, between 2018 and 2020, the total purchase volume on deferred interest healthcare promotions represents almost $23 billion over 17 million purchases, exceeding $7 billion a year. Purchase volumes peaked at approximately $8.2 billion in 2019, though purchase volumes from consumers in each credit score band have remained relatively steady.[52]

FIGURE 1: TOTAL PURCHASE VOLUME ON DEFERRED INTEREST HEALTHCARE PROMOTIONS, BY SCORE BAND (2018-2020)

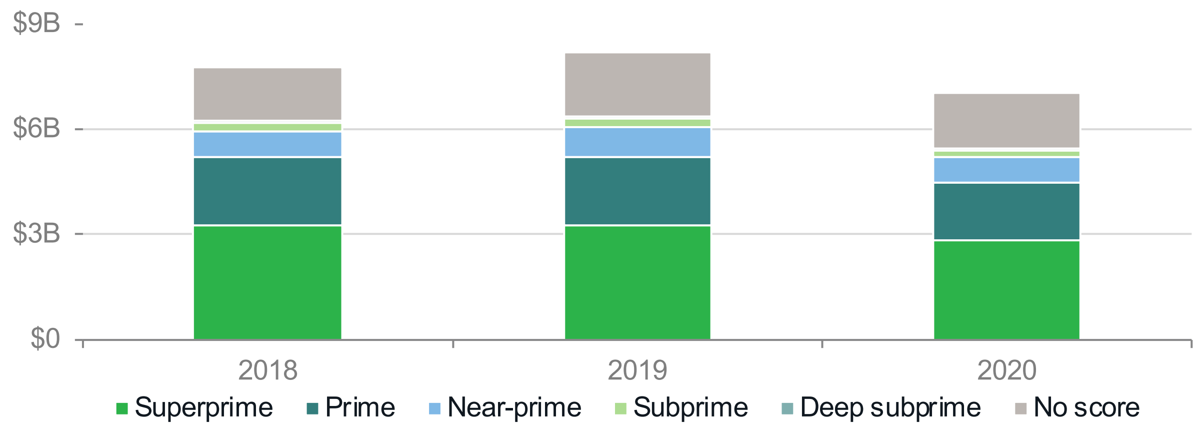


Table 1 shows that, for each credit score range, the average purchase amount on healthcare deferred interest promotions remained relatively stable between 2018 to 2020. For other categories of deferred interest products, the average purchase amount decreased.[53] In 2020, the average purchase amount on deferred interest healthcare promotions was $1,341 across all consumers. The corresponding average for consumers with superprime scores was higher, at $1,497.

TABLE 1: AVERAGE PURCHASE AMOUNT ON DEFERRED INTEREST HEALTHCARE PROMOTIONS, BY SCORE BAND (2018-2020)

Score Band	2018	2019	2020
Superprime	$1,473	$1,444	$1,497

[52] In the CFPB's information request to deferred interest lenders, score bands were defined as follows: Deep subprime (570 or less); Subprime (580 to 619); Near-prime (620 to 659); Prime (660 to 719); Superprime (720 or more). The "No Score" category includes both consumers who are unscored, or without credit scores, or whose credit scores were not indicated by the lender.

[53] *See* Figure 7 in Section 5.2.1 of the CFPB's 2021 Consumer Credit Card Market Report. "The Consumer Credit Card Market," Consumer Financial Protection Bureau, September 29, 2021, https://www.consumerfinance.gov/data-research/research-reports/consumer-credit-card-market-2022/.

Score Band	2018	2019	2020
Prime	$1,096	$1,099	$1,175
Near-prime	$883	$917	$976
Subprime	$722	$771	$798
Deep subprime	$664	$704	$707
Overall	$1,262	$1,272	$1,341

4. Data Insights into Deferred Interest

In the previous section, we introduced data obtained from a CFPB information request to better understand how deferred interest promotions work for patients using medical credit cards. In this section, we explore this data further to better understand deferred interest products and their effect on consumers across credit score ranges in the United States. From the CFPB's deferred interest data, we find that promotional payoff rates for healthcare credit cards vary slightly by credit score, as do dollar costs of these products. Deferred interest costs as a percentage of initial purchase volumes are, however, relatively consistent among score ranges.

Payoff rates for healthcare deferred interest purchases vary

Between 2018 and 2020, 20 percent of healthcare purchases resulted in deferred interest being assessed. Table 2 shows the payoff rate on deferred interest healthcare products, or the so-called "promotion payoff rate," calculated as the percentage of overall promotions that are repaid prior to deferred interest being accrued.[54] Between 2018 and 2020, payoff rates remained just shy of 80 percent, hitting a low of 76 percent in 2020. Payoff rates were lower for consumers with near-prime and subprime scores at 70 percent and 69 percent, respectively.

TABLE 2: PROMOTION PAYOFF RATE DEFERRED INTEREST HEALTHCARE PROMOTIONS, BY SCORE BAND (2018-2020)

Score Band	2018	2019	2020
Superprime	90%	90%	90%
Prime	75%	76%	76%
Near-prime	68%	70%	70%
Subprime	65%	70%	69%

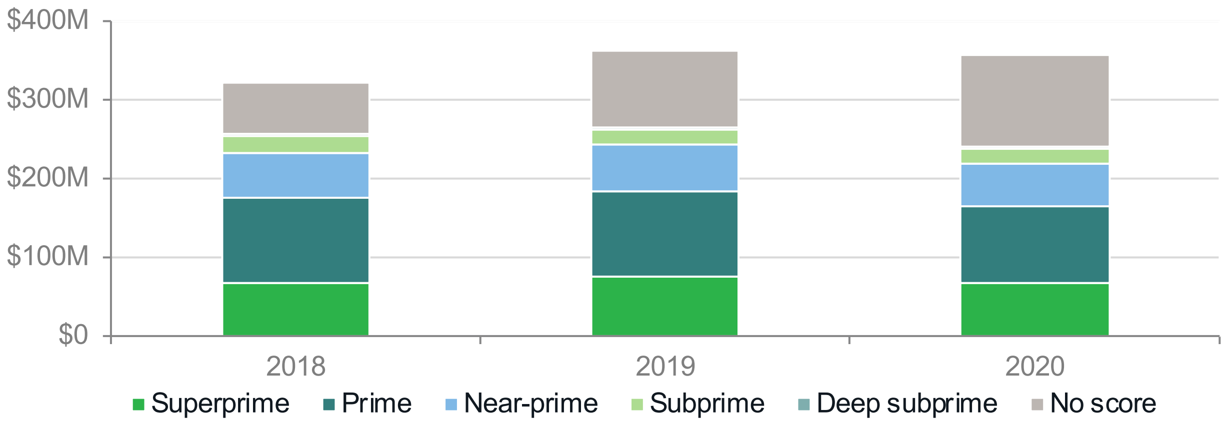
54 The promotion payoff rate is calculated as the number of total deferred interest promotions in which the full balance is repaid prior to the end of the deferred interest period, divided by the total number of deferred interest products originated. *See* more about other methodologies for calculating payoff rates in the 2021 Consumer Credit Card Market Report at footnote 172. CFPB, "Consumer Credit Card Market."

Score Band	2018	2019	2020
Deep subprime	67%	79%	80%
Overall	78%	78%	76%

People are paying $1 billion in healthcare deferred interest

The total dollar value of healthcare deferred interest, shown in Figure 2, indicates that the burden of these costs has generally risen in recent years, from $321 million in 2018 to over $350 million in 2020.[55] Borrowers incurred a total of approximately $1 billion in deferred interest on healthcare charges during the three years from 2018-2020.

FIGURE 2: TOTAL HEALTHCARE DEFERRED INTEREST ASSESSED, BY SCORE BAND (2018-2020)



Borrowers who incur interest pay an additional 23 percent of their initial purchase

If a patient using a healthcare deferred interest product has a large original purchase and if their purchase is among the 20 percent of those that assess deferred interest, this can ultimately contribute to large debt levels for that consumer. The data obtained from the CFPB's information request do not include APRs for individual promotions. Though the CFPB data do not indicate average APR, the data indicate the cost of healthcare deferred interest as a percentage of the initial purchase volumes of the promotions that incurred deferred interest, shown in Table 3. Overall, in 2020, the total cost of deferred interest for those who ultimately were assessed interest was approximately 23 percent of the initial total dollar volume of a purchases that incurred deferred interest, which is fairly consistent among score ranges.

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[55] In real terms these costs remained roughly constant over this period.

TABLE 3: HEALTHCARE DEFERRED INTEREST ASSESSED AS A SHARE OF ANNUAL PROMOTIONAL PURCHASE AMOUNT FOR PROMOTIONS THAT INCURRED HEALTHCARE DEFERRED INTEREST, BY SCORE BAND (2018-2020)

Score Band	2018	2019	2020
Superprime	22%	22%	23%
Prime	22%	23%	23%
Near-prime	22%	23%	23%
Subprime	22%	23%	23%
Deep subprime	21%	22%	22%
Overall	22%	22%	23%

5. Conclusion

The use of medical credit cards and similar products intended to cover the cost of medical devices, services, and procedures has steadily increased over time. Given their increased prevalence, we re-assessed some of the well-known incentive issues associated with these financial products and analyzed data showing the pitfalls of deferred interest products for consumers who are confused by the terms or unable to pay the high costs of credit.

Our research suggests that many patients—specifically those who are unable to pay off a deferred interest product during the promotional period—can pay significantly more than they would otherwise pay.[56] Many people who sign up for medical financing in doctor's offices and hospitals may otherwise be eligible to receive financial assistance or charity care that medical providers may offer or otherwise be required to offer under federal, state, or local law. A better understanding of this matter may help improve the lives of the many patients – of all economic backgrounds – who find themselves stretching to cover necessary medical payments.

Finally, our analysis shows that many consumers incur significant interest payments on deferred interest products that they use to cover medical costs, as the terms of credit for these products can be confusing to consumers. We will continue to look at how medical credit cards and loans are marketed to providers, the reach of these products, and how the use of these products, particularly for patients with limited access to credit, impacts patients' finances and health outcomes.

[56] Over the past year, the CFPB released several reports and research publications highlighting the impact of medical debt on consumers' lives, including an updated AskCFPB post on how consumers should approach medical credit cards and financing plans before signing these contracts. *See* "What Should I Know About Medical Credit Cards and Payment Plans for Medical Bills," Consumer Financial Protection Bureau, last updated February 2, 2023, https://www.consumerfinance.gov/ask-cfpb/what-should-i-know-about-medical-credit-cards-and-payment-plans-for-medical-bills-en-1827/.

APPENDIX

APPENDIX A: SAMPLE OF TERMS FOR MEDICAL CREDIT CARDS AND MEDICAL FINANCING LOANS

TABLE 1: SAMPLE OF TERMS FOR MEDICAL CREDIT CARDS AND MEDICAL FINANCING LOANS

Company Name	APR	Term Length	Promotional Period	Credit Limit	Services Covered	Hard Credit Check to Apply?	Other Terms
AccessOne	Flex (0% interest) and Choice (0% or more interest) plans.	Term lengths vary.	Some plans may have promotional periods with 0% interest.	Different plans for balances above and below $12,000.	Provider discretion.	At least some plans without credit check.	
Cherry	Up to 18.99% APR (20.99% in some states).	3, 6, 12, 18, 24 month plans.	If given 0% APR, valid until end of the plan.	Up to $10,000.	List of covered providers on website.	No.	Down payment required.
iCare Financial	No interest.	Term lengths vary.	No promotional period.	Provider discretion.	General dentistry, dental support organizations (DSOs), veterinary, medical. ~4,200 provider partners.	No.	Flat administrative fee.

Company Name	APR	Term Length	Promotional Period	Credit Limit	Services Covered	Hard Credit Check to Apply?	Other Terms
MedCredit Financial Services	8.00% APR.	Term lengths vary, including monthly plans.	90 day 0% interest promotional period.	Provider discretion.	Provider discretion.	No.	Open-end LOC for healthcare expenses.
PatientFi	Up to 28.99%.	Option for promotional (24 month) or fixed (84 month max) loans.	Option for 24 month 0% promotional period.	Up to $40,000	List of covered providers on website.	No.	
PayZen	0% interest and 0 fees. Patients choose monthly payments between $25 to $100.	30 to 60 month terms.	No promotional period.	Provider discretion.	Various hospitals, health systems, and physician groups. ~30 provider partners.	No.	Also offers Care Card for pre-service payment, pharmacy, and recurring care scenarios.
PrimaHealth Credit	Up to 24.99% APR.	Term lengths vary, including monthly plans.	No promotional period.	Provider discretion.	Variety of elective and outpatient care.	No.	
Prosper Healthcare Financing	Up to 35.99% APR.	24, 36, 48, or 60-month plans offered.	No promotional period.	Up to $50,000.	Covered providers in cosmetic and plastic surgery, bariatric surgery,	No.	

Company Name	APR	Term Length	Promotional Period	Credit Limit	Services Covered	Hard Credit Check to Apply?	Other Terms
					fertility and reproductive clinics.		
Scratchpay	Bi-weekly: 0% APR. Monthly: Up to 36% APR.	Bi-weekly and monthly (6, 12, 18, and 24 month) plans offered.	No promotional period.	Bi-weekly: $35 - 1,000. Monthly: $150 - $10,000.	Veterinary, dental, Lasik & vision. ~12,000+ provider partners.	No.	Down payment required (20% for biweekly, $15 for 12 and 24 month terms).
Synchrony CareCredit	Up to 26.99%. Longer plans have up to 17.90% APR.	24, 36, 48 or 60-month fixed monthly plans.	6, 12, 18 or 24 months of deferred interest.	$200 or more for deferred interest. $1,000 or more for longer plans.	List of covered providers on website, with 250,000+ provider partners.	Yes.	Once applied, you can use the card at any approved location.
Walnut	Some 0% APR plans available.	Up to 48 months.	No promotional period.	Provider discretion.	Works with covered providers (~50 partners) or individuals can apply.	No.	Financing offered through Splitit, Klarna, Affirm, and Afterpay
Wells Fargo Health Advantage	12.99%.	N/A		Provider discretion.	Dental, hearing, vision, and veterinary.	Yes.	Once approved, you can use the card for all covered services.

Note: This is not an exhaustive list of lenders offering medical financing products but a sample of those observed through CFPB market monitoring efforts. All above terms were obtained on the companies' websites and other public-facing materials. These terms might not reflect details revealed in contracts for the companies' financial products. Also note that a product having a "promotional period" or an option for one indicates that the product will incur deferred interest after the end of the promotional period; the interest rate is noted in the table if publicly advertised.