

## BULLETIN

### Charging Medical Costs

## Medical Credit Cards: Pros and Cons

They can finance your out-of-pocket medical costs, but there are risks

by: Tamara E. Holmes | from: [AARP Bulletin](#) | July 14, 2010



When 67-year-old Beverly Weaver of Sacramento, Calif., visited her dentist, she was blindsided by the diagnosis. “Just about all of my fillings were 30 years old, so they had started cracking,” she says. She had to have two root canals and caps redone—dental procedures not covered by Medicare. The total cost: \$8,000, an amount Weaver simply could not afford on her fixed income.

So Weaver applied for a CareCredit card, one of several credit cards that are designated for financing out-of-pocket health care expenses. The cards offer zero percent or very low interest for a fixed period after a medical procedure. Without the card, “I would never have been able to afford the dental work,” Weaver says.

Weaver’s use of a medical credit card had a happy outcome. But some patients have found that the cards place them on a treadmill of old-fashioned plastic debt. For instance, the office of Minnesota Attorney General Lori Swanson is investigating a complaint concerning a 91-year-old

woman who used a card to pay for a hearing aid. When her final payment arrived late, Swanson's office says, the woman received a bill for \$1,200 in interest going back to the date of the initial charge.

The cards "may have a longer grace period and zero percent APR offers, but usually they will increase to a similar interest rate percentage as a regular credit card, sometimes even higher," says José Garcia, associate director for research and policy with the Economic Opportunity Program at Demos, a New York-based research and advocacy firm.

### **More patients charging medical costs**

As Americans seek ways to deal with fast-rising medical costs, the use of credit cards at the doctor's office is increasingly common. According to global management consulting firm McKinsey & Company, patients charge approximately \$45 billion of out-of-pocket medical expenses annually (most of it on regular cards), and that number is likely to rise to \$150 billion by 2015.

To attract some of that business, financial services companies are marketing special medical cards. As with general cards, consumers must have a decent credit score to get a card such as CareCredit, which is offered by GE Money.

Other players in the arena include Citigroup's Citi Health Card and JPMorgan Chase & Co.'s ChaseHealthAdvance Card.

Typically the patient and the doctor's office will work out a fixed period of time—12 months, perhaps—in which the zero- or low-interest rate will hold if the full amount is paid off as scheduled.

The cards first came into use for uninsured procedures such as cosmetic surgery. In recent years, they have come to finance a wide range of procedures, including root canals, orthodontics, hair restoration, vision correction, surgical weight reduction, chiropractic care, hearing aids and, in some cases, veterinary treatment. But the focus remains elective care that is an out-of-pocket cost even if you have comprehensive medical insurance.

### **Pros and cons**

If you are considering a medical credit card, here are three issues to consider.

**Pro:** They can provide immediate access to care. Alan M. Tebby, a chiropractor in Charlotte, N.C., says that more patients these days have health insurance policies with high deductibles and out-of-pocket costs. As a result, some delay medical treatments, choosing, for example, to suffer back pain because they can't afford chiropractic services. With medical credit cards, the patients often go ahead with treatment right away. "That provides the patient with the availability and immediacy of care," Tebby says.

The health care provider, meanwhile, receives immediate payment for services and isn't burdened with having to go after delinquents. Many providers that used to provide their own financing to patients now urge them to get medical credit cards.

**Con:** The cards can generate big interest costs and hurt your credit score if you miss just one payment. A medical card has the same impact on your credit rating as a regular card. "If you've got another open account on your credit report, that can be damaging if you're trying to get the best terms on a refinance or buy a car," says Benjamin Wogsland, a spokesman for the Office of Minnesota Attorney General Lori Swanson.

Debt to a doctor or hospital, in contrast, does not normally figure in your credit score, unless it goes unpaid and is sent to a collection agency.

Moreover, if you're late making a payment, that might also trigger higher interest rates on other lines of credit as well.

**Pro:** The cards let you conserve your cash. Rather than paying a big medical bill all at once, you might be better off letting the funds bear interest in a money market account. With medical cards, patients can spread their payments over a period of time "and save cash for gas and groceries and other things," says Marjory J. Rosser, senior vice president of consumer marketing for CareCredit.

**Con:** The cards may result in payment for treatment that you don't get. Some procedures, such as a root canal, take multiple visits to complete but will be charged in one sum up front. If you do not pursue the full treatment, there can be hassles to get charges reversed, says Mark Rukavina, executive director of the Access Project, a Boston-based organization that works to improve health care access.

In some cases, cardholders have been told that the money can't be refunded, according to media reports.

**Pro:** The cards can make record keeping easier. "We hear a lot from our cardholders that they like being able to put all their out-of-pocket health care expenses in one place," says Rosser. Since the card provides a dedicated line of credit for certain types of health care expenses, it enables people to better track and budget for care.

**Con:** The cards can blur the lines between health care and financial services. Though you can apply directly to a financial services company for some medical credit cards, they are typically introduced via a health care provider. "If you go to your doctor to get treated, there's a certain relationship—a trust there and you don't expect to get aggressively pitched a credit card," says Wogsland.

Some consumers have accused health care providers of signing them up unwittingly for health care credit cards, claims that prompted Swanson to file lawsuits against two Minnesota chiropractors last year. At the very least, a doctor may not be familiar with all of the financial

implications of a medical credit card, leaving the consumer unclear about how terms will change if the debt is not repaid in time, according to Wogsland.

Whether you should get a medical credit card will depend on your financial situation and the urgency of the medical treatment. Regardless of your ultimate decision, you should first try to negotiate a payment plan directly with your health care provider. You may still be able to get an extended payment plan and often a discount on the fees.

“Once something is put on a credit card, that negotiating opportunity is missed,” says Rukavina.

*Tamara E. Holmes is a Maryland-based journalist who writes about health, wealth and careers.*