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## Healthy idea: Separating medical debt from other debt

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The effort to keep medical debt from haunting a consumer's credit history is gaining momentum in Congress with the recent introduction of the Medical Debt Relief Act.

The bill, introduced in the Senate, would prohibit credit bureaus from using paid off or settled medical debt collections in assessing a consumer's credit worthiness.

In addition, the bill would require the creditor or credit rating agency to expunge the medical debt from the consumer's record within 45 days from the day it is paid off or settled.

A House version of the bill would require medical debt that has been paid off or settled to be removed from credit records within 30 days of resolution.

"We have momentum moving everyday," said Plano mortgage banker Rodney Anderson, who has been sounding the alarm about how medical debt can wreck a credit record. "Everyday, we see clients whom this is affecting. Many are not able to get home loans. It's not fair to these people."

More adults are struggling to pay medical bills and are accumulating medical debt.

According to the [Commonwealth Fund](#), an independent health care research group, the number of people reporting problems paying medical bills or having accumulated medical debts has been growing rapidly. Between 2005 and 2007, that number grew by 23 percent to 27 million adults, it reports. (More recent data are not available.)

"It's a number that has been growing because the number of people without health insurance has been climbing and the number of people who are underinsured has also grown," said Sara Collins, vice president of the Affordable Health Insurance Program at the Commonwealth Fund. "Both trends are driven by health care costs that are rising faster than income."

She expects the number of people struggling to pay off medical debt to grow because of continued job losses.

The problem has Washington's attention.

"It's already incredibly difficult for families to pay off the high cost of medical treatments for serious injuries and diseases," said Sen. [Jeff Merkley](#), D-Ore., one of several senators who introduced the Senate bill. "To add insult to injury, after families pay off their

exorbitant medical debt, they continue to take a hit on their credit scores. This bill will give families a fair deal and ensure that their future financial transactions won't be negatively affected by a bad credit score just because of past medical debt."

Experts say that even one negative medical collection mark can drop a consumer's credit score, potentially costing that consumer thousands of dollars in higher interest rates on home and automobile loans, credit cards and other revolving lines of credit.

Because many medical bills are submitted first to insurance companies, consumers often don't learn that they're responsible for a medical bill until they hear from a collection agency, by which time their credit score has already suffered.

The three national credit bureaus – [Experian](#), [TransUnion](#) and [Equifax](#) – make no distinction between unpaid medical bills and any other delinquent bill. In their models for determining a person's credit score, medical debt is treated like all other consumer debt.

That's unfair because medical debt is unlike other debt.

It's often beyond the control of consumers. It's not caused by poor money management and therefore doesn't reflect a person's creditworthiness.

You don't ask for a heart attack or to get into a serious accident.

No expenditure can hurl you toward financial ruin as quickly as medical bills. If you've paid off or settled your medical debt, your credit record should promptly reflect that, and it shouldn't be used to portray you in the same unfavorable light as if you were a wild spender.

Congress needs to pass the legislation.