

## Medical credit cards: Watch for these warning signs

### Can health care credit cards be hazardous to your health?

By Karen Kroll

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When trying to figure out how to pay for medical procedures not covered by insurance, consumers increasingly are turning to alternative financing, including health care credit cards. While functioning much like regular credit cards, medical credit cards should come with their own warning signs.

And since out-of-pocket health care payments were expected to reach \$284 billion in 2009 -- and grow about 4.8 percent every year, according to the U.S. Centers for Medicare and Medicaid Services' Office of the Actuary -- the need for ways to pay these bills is growing.

Health care credit cards are marketed to individuals by medical providers to cover only medical expenses, says Lauren Bowne, staff attorney with Consumers Union.

They often are used to cover elective medical procedures not typically covered by insurance, or for the portion of a medical bill that is not covered by insurance (for example, deductibles). And as more medical providers struggle to collect unpaid medical bills, health care cards are being marketed to patients as a way to keep bills from going into collections.

Other than the fact that medical credit cards are issued to cover only health care-related expenses, they "are basically a [credit card](#)," says Jose Garcia, associate director for research and policy with Demos, a public policy research group. They charge interest on balances and impose other fees, just as ordinary credit cards do. As a result, "it's important not to think that because it's a medical credit card, that you shouldn't be as careful with it as with any other credit card," he adds.

In fact, due to recent legal actions against medical credit card issuers, you may need to be even more careful than if you used a regular [Visa](#) or [MasterCard](#).

#### Medical cards come under fire

In August 2010, New York Attorney General Andrew Cuomo announced that his office would investigate "predatory health care lending," including the marketing of health care credit cards. The investigation was prompted in part by hundreds of consumer complaints, Cuomo said in a news release.

Among the charges: Some health care providers marketed these cards as charging no interest when many carried rates topping 25 percent, which could be retroactive if the balance wasn't paid in full during a promotional period. In addition, some medical professionals received



kickbacks from the card providers when their patients signed up for the cards, providing an incentive to push patients to use them rather than other forms of payment.

Last year, Lori Swanson, attorney general in Minnesota, also announced two lawsuits against different chiropractic clinics. Among other allegations, the suits charge that the clinics signed up patients for Care Credit health care cards without their permission. In some cases, charges of more than \$5,000 appeared on patients' cards, again without their knowledge or consent. Both suits are pending, according to a representative of the attorney general's office.

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### What to watch out for

While these lawsuits focus on what appear to be extreme cases of misuse of medical credit cards by health care providers, as well as deceptive marketing on the part of card issuers, some caution is in order for consumers considering whether to use these cards:

- **Retroactive interest rates**  
For starters, "it's important to understand the [terms and conditions](#)" of the card, says Mark Rukavina, executive director of the Access Project, a nonprofit that works with communities to improve access to health care. A low [introductory interest rate](#) may skyrocket if you make one late payment. With some cards, the higher rate is applied retroactively, Rukavina says. "We've talked with people who've had a 27 percent interest rate applied to their initial balances," even after a starting rate of 0 percent or close to it, he says. Rukavina says he's also heard of card issuers shortening [payment cycles](#) without notifying cardholders. Those who miss the earlier payment deadline may end up inadvertently paying their bills late, which could trigger a jump in the interest rate.
- **Paying for services before you get them**  
Some medical providers charge patients upfront for treatments that will take place over time, Bowne says. If patients end up not needing or receiving all the services -- or if the provider goes out of business -- they may struggle to get the charges reversed, she says.
- **Being marketed to when vulnerable**  
Bowne and others also question the practice of marketing credit cards to individuals who may be facing a medical crisis. "If you're sick and in need of medical attention, that's not the time to be sold a financial product," she says. Based on anecdotal information, consumers using medical credit cards rarely comparison shop for alternative financing options, Bowne adds.

Even consumers who ask health care providers for additional information on the cards may find their questions go unanswered, Rukavina says. Not all are well versed in the cards' fine print, making it difficult for patients to understand exactly what they're signing up for, he says.

Moreover, health care providers who receive incentives from the card issuers face a clear conflict of interest, Bowne says. They may be tempted to steer patients to the cards even when the patients' insurance may cover at least a portion of the costs. Similarly, some patients may

be eligible for programs such as Medicaid that will cover some of their medical costs, yet instead are pointed to the cards, Rukavina says.

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On the other hand, medical credit cards can allow consumers to budget and pay for procedures over time, says Stephen White, spokesman with CareCredit, a medical credit card distributed by GE Money. More than 80 percent of CareCredit account holders who select a [deferred interest plan](#) pay off their accounts before the end of the promotional period, and thus don't incur interest charges,

he says. In addition, the cards reduce the administrative work health care providers must tackle when it comes to billing and getting paid for their services.

### **Do your homework**

If you are thinking about using a medical credit card to cover some health care expenses, keep these tips in mind:

- 1.** Get a good estimate of the cost of the procedure. Find out how much your insurance policy, if you have one, will cover, Rukavina says. If you will be covering the entire bill yourself, ask whether you can get a discount. "It is possible to get a fee discounted; many of our clients have done so," he adds.
- 2.** Ask whether you can pay your provider directly and over time. Some providers will work out a payment plan with you, eliminating the need to open a line of credit. The interest rate may be lower than a credit card would charge, Rukavina says.
- 3.** Don't pay for multiple treatments upfront. If you will be using any type of credit card to cover a series of appointments, pay for each one after it has taken place and after it has been submitted to your insurance company for reimbursement, Bowne says. You should pay only the amount your insurance doesn't cover. This also limits the chances that you'll have to haggle for a refund if you end up not doing all the treatments.
- 4.** Take some time before signing up for a medical credit card. Study the terms and conditions. Ask yourself what the medical card provides that makes it better than other payment options available to you, whether that's a regular credit card or a payment plan. "The same consumer cautions should apply with these credit cards as with all credit cards," Bowne says.