



REPORT

REVENUE CYCLE MANAGEMENT LAW OVERVIEW

COMPLIANCE
PROFESSIONALS FORUM

iA insideARM

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6110 Executive Blvd, Suite 1040, Rockville, Maryland, 20850
editor@insideARM.com | 240.499.3834 | www.insideARM.com

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Introduction

A continuing challenge for revenue cycle management firms, healthcare providers, and patients has been the resolution of bills related to medical services. A web of laws is currently on the books that impact medical debt collections. Despite this, there is reason to expect that more regulation is forthcoming.

The Consumer Financial Protection Bureau (CFPB) has been hinting for quite a while that the medical/healthcare market is one of its primary concerns while considering regulation for the debt collection industry. In the recent past, the CFPB has [released a report on medical debt collection](#), [conducted a field hearing](#) on the topic, and [made medical debt a focus](#) of a Consumer Advisory Board meeting. The CFPB has also been [pushed by consumer groups](#) to place more restrictions on medical debt collection.

In their report on medical debt collection, the CFPB found that over half of all collections on credit reports are associated with medical bills, that complaints from consumers indicate many didn't know they had a medical debt in collections until they got a call or discovered the debt on their credit reports, and that the vast majority of medical debt reflected on credit records is reported by third-party collection agencies. At the December 2014 field hearing on the topic, CFPB Director Richard Cordray mentioned the following points regarding medical debt:

- One in five consumers with a credit report has a medical collections item
- Fifteen million consumers have medical debt collections items as the only collections items on their credit reports, and many of them have no other seriously delinquent accounts
- The average balance of medical collection accounts is \$579 and the median is \$207

At a 2015 Consumer Advisory Board meeting focusing on medical debt, the Bureau also noted that medical debt collection accounts appear on credit reports at a much earlier stage of delinquency than practically any other type of debt. The conclusion from this is that consumers are very confused about their obligations to pay certain medical bills.

If there is a main thing to note from the CFPB's recent activity for ARM companies that focus on medical accounts, it's that credit reporting of such accounts will likely be addressed in new rules, when they happen. The CFPB took on the broader credit reporting industry in December 2014, mandating more active policing of furnishers by the national credit reporting agencies. Additionally, FICO changed its credit scoring methodology to reflect a difference between medical and non-medical collection agency accounts.

There is a movement within the ARM industry to respond proactively to the threat of government regulation. The Healthcare Financial Management Association (HFMA) [issued a joint report](#) with the Association of Credit and Collection Professionals (ACA International) in 2013 designed to "identify and document the current state of best practices" with regard to the collection of medical debt. They found the following steps to be appropriate best practices: