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Medical Credit Card Survey

Mixing medical credit cards and doctor bills may be harmful to your finances

By Alegra Howard

Unexpected medical and dental bills can wreak havoc with your budget. A number of companies offer credit cards to help consumers finance these bills, but Consumer Action found that several feature a trap called "deferred interest."

Consumer Action surveyed seven credit cards that extend loans specifically for health care expenses. We found that three out of seven (GE Capital CareCredit, Wells Fargo Health Advantage and Citi Health) have deferred interest. These feature treacherous six-month to two-year "interest free" periods in which finance charges are not due immediately but accrue each month. When the transaction is not paid in full by the offer's expiration date, retroactive interest charges are piled onto the original balance.

Our research into these cards was impeded because essential rate information online was often buried or missing—making it difficult for consumers to explore their options and arrive at a safe financial decision. The cards typically are sold at health care providers' offices, where needy patients may be vulnerable to accepting offers they don't clearly understand.

On issuers' websites, rate information was hidden or incomplete for four of the seven medical credit cards. In some cases, these companies advised us to speak to health care providers that offer their cards—and who often have discretion to set their own promotional terms. The iCare card was not willing to provide information to customers outside of a medical setting.

All of these companies offer tempting 0% promotional rates for new transactions—but not all feature deferred interest. We found some lenders reluctant to provide individuals with specific financial details in advance.

"Zero percent offers are very enticing, but if borrowers have to jump through hoops to learn the long-term rate after the interest-free deadline, they risk being caught in a debt trap," noted Consumer Action's Ruth Susswein, who led the survey. "For consumers seeking financial information before applying, this makes it difficult to learn what rate you would be charged."

Specialized plastic

In its research, Consumer Action found and reviewed seven credit card issuers that lend money specifically to cover health care expenses: AccessOne MedCard, GE Capital CareCredit, CarePayment, Citi Health Card, iCare Financial, MedKey Healthcare Finance and Wells Fargo Health Advantage.

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Web Bonus

We have more stories! Read them online (http://bit.ly/CANews_summer_14)

- **Medical loan survey.** Consumer Action reviewed five companies offering loans—not credit cards—that can be used to pay for medical services and procedures.
- **Know the pitfalls of medical credit cards.** The Consumer Financial Protection Bureau ordered CareCredit, a large medical credit card, to make refunds to a million-plus consumers who were misled by the company's deferred-interest offer.
- **Who has access to your medical credit card information?** It might surprise you how many companies may have knowledge of your medical expenses and loans.

Medical credit cards: Helpful or hazardous?

By Michelle De Mooy

Facing a medical procedure or treatment can be a frightening experience but it may not compare to the terror of seeing how much it will cost. Even the best anesthesia can't numb medical bill sticker shock!

More than 11 million Americans will take on credit card debt this year to cover medical expenses, according to a recent survey by NerdWallet Health, a price comparison website. The survey found that 15 million people will deplete their savings to cover medical bills and another 10 million will be unable to pay for necessities such as rent, food and utilities as a result of medical debt.

More and more, consumers are turning to medical credit cards to help pay what they owe when insurance doesn't cover their bills. The brochures and applications for these cards have become widespread in dental, medical and veterinary offices.

Medical credit cards function much like traditional credit cards, with some key differences: A medical credit card can only be used to pay for health care (not health insurance premiums) and can only be used at providers that accept them. Most people apply for a medical credit card on the spot at a health care provider's office. Others apply online. Typically the issuer—usually a bank—checks your credit before making a decision to grant you a card. If approved, the issuer will pay the medical bill and you'll owe the bank the balance.

Many medical credit cards feature "deferred" interest for new customers. Deferred interest means you won't have to pay interest on your new balance for a specified length of time, typically anywhere from six to 24 months, but you will have to make regular minimum payments. However, when the deferment period is up, if you haven't paid the entire balance, you'll owe the remainder plus interest that is backdated from the date of purchase. Most consumers hope to avoid interest by paying off their balances within this timeframe. However, up to one-third of customers in deferred-interest plans end up paying interest because they don't pay in full during the "interest-free" promotional period.

Consumer Action's 2014 survey of medical credit cards, featured in this issue, found interest rates of 0% to 28.9%. We also found that much of the rate information on these cards was hard to find, incomplete or not available at all, making it nearly impossible for consumers to understand the true cost of using them before they signed up. *(For more on the survey, see the story above.)*

Last December, the Consumer Financial Protection Bureau (CFPB) determined that many consumers who signed up for the CareCredit card, a popular offering at health care providers' offices, believed their bills would be interest-free for the life of the debt rather than for a limited time. The CFPB cracked down on the company's inadequate disclosures and sales techniques and ordered GE Capital Retail Bank, parent company of CareCredit, to refund $34 million to aggrieved cardholders. Among other requirements, the CFPB required the company to provide a warning in advance of the end of the interest-free period. (For tips on avoiding the pitfalls of deferred-interest credit cards, see

See "Help or Hazard?" on page 4

Survey

Continued from page 1

Between March 24 and June 6, we reviewed websites and brochures and contacted the lenders' customer service representatives.

Medical credit cards are not interchangeable with other credit cards. They are used exclusively for payment of certain health care-related bills with participating medical providers. Not all procedures are covered.

Permanent (non-introductory) interest rates ranged from 0% (CarePayment and iCare) to 28.99% (Citi Health Card). CarePayment calculates monthly payments—with no interest—for repayment windows of up to 25 months.

We found partial rate information available online for four medical credit cards. However, it took multiple phone calls to issuers' customer service lines before we were able to verify card terms.

Locating rates for Citi's Health Card required burrowing deep into its website, where few consumers would find their way. Citi's rates were eventually detected under a section for health care providers.

Wells Fargo's rates were not to be found on its main Health Advantage site, which seemed more geared to health care providers. We ultimately found them via a link to a PDF download on a subsite that annoyingly timed out after 10 minutes of inactivity.

MedKey was one issuer that clearly posted online a complete list of rates, fees and providers in their network. CareCredit also posts its deferred interest rate—26.99%—online in fine print as part of its payment calculator tool, and in a PDF link.

Beware deferred interest

Interest-free offers with various terms were available on all seven surveyed cards. The three issuers that pile on deferred interest charges when promotional rates expire without payment in full are CareCredit, Wells Fargo Health Advantage and Citi Health.

Three issuers stated they did not charge deferred interest: AccessOne, CarePayment and MedKey. CarePayment's 0% offer lasts up to 25 months. AccessOne doesn't charge interest for up to 100 months, based on the size of the balance.

iCare provides no information online about rates and terms. iCare's customer service representatives—and its chief marketing officer—wouldn't answer any questions, making it difficult to determine if iCare features deferred interest. We were advised to call local health care providers that offer the card.

AccessOne, MedKey and iCare cards offer 0% loans to borrowers regardless of their credit history and income. These interest-free offers could provide an opportunity for people with damaged credit records who find it difficult to get loans or who might have to pay very high rates on other credit cards. The goal would be to pay off the bill during the no- or low-interest period.

Late payments can trigger an end to promotional pricing and damage your credit record. However, Consumer Action learned that AccessOne, CarePayment and MedKey would not report your payment activity to the credit bureaus unless the account has gone to collections, which, depending on the company, would occur after 90-120 days without payments.

Here is a breakdown of the terms for each medical credit card. A PDF chart containing more information for each card can be found online (bit.ly/medicalcreditcards2014).

AccessOne MedCard
www.accessonemedcard.com
888-458-6272

AccessOne credit only covers hospital bills incurred at in-network hospitals in parts of North Carolina, South Carolina, Georgia, Florida, Tennessee and Alabama.

Applying for a card. Any patient at a hospital within the AccessOne network is eligible to enroll through a medical provider. AccessOne does not base its rates on applicants' credit history.

Rates and terms. Zero percent plans are available based on the amount of the hospital bill, and can range from 12 months to more than eight years. For plan details, see chart (bit.ly/medicalcreditcards2014). After the promotional rate expires, AccessOne charges an annual percentage rate (APR) of 9.25%. Interest is not deferred and is charged only on the remaining balance. Even while paying off one transaction, borrowers can charge new hospital bills, which may be eligible for a separate promotional rate running on its own clock.

Covered procedures. Covers only in-network hospital bills.

Late fees and penalties. Miss a payment or pay late and you will lose the 0% promotional rate and incur a $10 late fee. The APR will rise to 9.25%.

AccessOne does not report account activity to credit bureaus. However, after three consecutive missed payments and attempts to contact the cardholder, AccessOne will return the account to the hospital. The hospital may then turn the account over to a collection agency, which may trigger a negative "collections" notation on your credit report.

Additional information. Regions Bank funds AccessOne loans. Every patient at an in-network facility qualifies for a card.

CareCredit (GE Capital/ Synchrony Bank)
www.carecredit.com
800-677-0718

Applying for a card. Borrowers can apply online or while visiting an in-network health care provider. CareCredit's provider list is searchable by region and profession and prominently posted on its homepage. Credit eligibility is based on applicants' credit scores, credit card payment history and debt-to-income ratio.

Rates and terms. CareCredit online rate information could be reached via a tiny link at the bottom of its homepage. Rate information also can be found by using the payment calculator on the homepage. "We always charge interest on promotional purchases and their related fees from the date you make the purchase." In other words, deferred interest will be charged to the entire transaction if the balance is not paid in full by the end of the promotional period.

Health care providers set the promotional rates for in-office applicants. Zero percent rates last six, 12, 18 and, more rarely, 24 months, according to customer service. After the promotion ends, the interest rate is 26.99%.

Purchases of $1,000 or more are eligible for a 24-, 36- or 48-month fixed-rate offer of 14.9%, and purchases of $2,500 or more are eligible for a 60-month fixed-rate offer.

Covered procedures. Vision, veterinary, dental, cosmetic treatments, cosmetic surgery and hearing care are eligible.

Late fees and penalties. $25 late fee; $35 for additional late payments within six months. Late payments do not impact a cardholder's promotional rate. $25/$35 returned check fees.

CarePayment
https://www.carepayment.com/
866-625-8532

CarePayment is offered through participating hospitals in many states. Contact customer service for information on availability.

Applying for a card. CarePayment financing is available to patients with a valid Social Security number regardless of income, credit history or employment status. No formal credit check is conducted for enrollment, but the company may perform "soft inquiries" to verify applicants. (They say this does not adversely affect applicants' credit scores.)

Consumers can apply through their in-network health care provider. However, the company does not post a list of participating hospitals online—consumers can call customer service to learn which local hospitals participate.

Rates and terms. Zero percent interest for up to 25 months for all enrolled patients. The 0% interest promotion also is available on subsequent transactions.

Covered procedures. Hospital services. Some elective procedures are not covered. Doctor fees and lab services cannot be paid for with the card.

Late fees and penalties. $25 late fee (every 24 months a one-time late fee waiver is available). $25 fee for returned checks. After 90 days without payments, card accounts are closed and returned to the provider. The hospital may then turn the account over to collections. CarePayment doesn't report payments to credit bureaus.

Survey continues on page 3

Tips to avoid the trap in deferred-interest deals

• To avoid interest, make sure you can pay the entire amount before the deferred interest period expires.

• Don't pay late or miss a minimum payment during the deferred interest period because it might void the deal and trigger finance charges.

• Making only minimum payments during the deferred interest period will ***not*** result in a paid-off balance by the expiration date. You need to pay more than the minimum—sometimes much more—to accomplish this.

• Tackle pay-off by dividing the amount owed into the number of interest-free months to pay off the balance before finance charges kick in.

• Know precisely when the no-interest period expires (it may be a few weeks sooner than you expect) and pay in full *before* that date.

• Ask about other payment options that may be available to you before choosing a deferred-interest plan. Before agreeing to a procedure, take a little time to go home and research your options. ■

Additional information. WebBank funds CarePayment accounts.

Citi Health Card

www.healthcard.citicards.com
Rates: http://citi.us/1pTxueQ
866-832-8762

Applying for a card. Borrowers can apply online or while visiting an in-network health care provider. Applicants' credit scores, credit card payment history and debt-to-income ratio are used to determine eligibility.

Rates and terms. Citi's network health care providers choose the promotional offers they make available to patients on-site. Citi's rates were not listed online for consumers but were eventually located under the health care provider section. Zero percent deferred interest is available for six-36 months, depending on the balance, accruing interest of up to 28.99%. Fixed rate plans (not deferred) are available for 24-48 months, depending on balance, at 15.90%.

Covered procedures. Dental, orthodontia, vision, hearing, veterinary, hair restoration and mobility products.

Late fees and penalties. $25 late fee/$35 for additional late payments within six months. Citi does report monthly account activity to credit bureaus.

Additional information. Citi Health Card's website offers a database of health care providers but it wasn't that easy to use. From the homepage (see above), select "Consumer" and "Apply Now." Select "Doctor Name" from the pull-down menu. Unless you know a specific provider's name, just enter "Dr." in the blank box and choose a provider type, enter your ZIP code and indicate the distance you'd be willing to travel. This results in a list of local providers.

iCare

www.icarefinancialcorp.com
800-862-7908

Applying for a card. Consumers apply for iCare through a network provider. However, iCare does not provide a list of in-network doctors online. iCare's website says it does not check applicants' credit history.

Rates and terms. iCare advertises 0% interest rates to borrowers regardless of their credit history and income but provides little other information on loan terms, including the eventual rate after the interest-free period expires. According to one iCare representative, a 30% downpayment is required to obtain a 0% interest repayment plan.

iCare agents told us that the company does not deal directly with consumers and advised us to find health care providers who accept iCare. This route wasn't helpful, however, because we found that credit details from doctors who offer iCare credit card plans are not available without a medical consultation.

Covered procedures. The company allows medical and veterinary bills with network providers to be charged to the card.

Late fees and penalties. No late fee information was available for iCare. Representatives wouldn't say if the company reports cardholders' monthly activity to credit bureaus.

Additional information. No list of iCare participating doctors was available. Agents suggested that we "Google" iCare providers in the area from which we were calling. When we reached iCare's chief marketing officer, he would only say that the company deals exclusively with businesses and would not provide any more information.

A Better Business Bureau (BBB) complaint revealed that the company employs automatic debiting from consumer checking accounts to collect monthly payments. According to BBB, the complaint was ultimately resolved.

MedKey Healthcare Finance

www.medkeyinc.com/MedKey/
877-224-1414

Note: MedKey provides medical financing for mostly non-profit hospitals in the Carilion Clinic network in Virginia.

Applying for a card. All patients of in-network health care providers can apply for a MedKey card regardless of their credit history. MedKey does not check applicants' credit history.

Rates and terms. MedKey offers 0% interest for 90 days regardless of credit history and income. After 90 days, an interest rate of 5.99% applies to the unpaid portion of the balance (no deferred interest).

Covered procedures. In-network hospital bills. Cosmetic procedures are not covered.

Late fees and penalties. $20 late fee. MedKey does not report monthly account activity to credit bureaus. However, accounts that go 120 days without payment will be reported as "collections." MedKey representatives said they prefer to "work with" borrowers and avoid collections, so give the company a call if you're in default.

Additional information. Overall, we found MedKey's website to be the most transparent—but financing is available only within the Carilion Clinic network in Virginia (http://www.carilionclinic.org). We easily found a complete list of rates and fees as well as health care providers accepting MedKey.

Wells Fargo Health Advantage

http://bit.ly/1rU6Fsk
Also see: http://bit.ly/1iVz3dn *(geared to health care providers)*
800-248-5012

Applying for a card. Borrowers can apply online or while visiting an in-network doctor. Wells Fargo does not provide a list of network health care providers online. Credit scores, credit card payment history and debt-to-income ratio are used in determining eligibility of applicants.

Rates and terms. A PDF "account agreement" can be found via a link at the bottom of the homepage (see above). It lists a 9.99% standard rate and mentions that some accounts may receive interest-free "special interest terms." It appears, based strictly on the disclosure, that introductory terms can vary—some are true interest-free promotional periods ("No Interest") while others can involve deferred interest ("No Interest if Paid in Full").

We suggest that applicants take special care to understand which one applies. Customer service quoted promotional rates of 0% interest for 6, 12 and 18 months, followed by a variable interest rate of 9.99%, tied to the Prime Rate. Customer service also explained that Wells Fargo offers special rates of up to 6.9% for the life of the balance that might be available through health care providers.

Covered procedures. Dental, hearing, LASIK/refractive eye surgery and veterinary services.

Late fees and penalties. $25 late fee; $35 for additional late payments within six months. Wells Fargo does not eliminate the interest-free promotion if a borrower misses a payment.

Additional information. During our calls to customer service we found some confusion about the medical credit card. Reps mistakenly quoted rates as high as 27.99%, which we later learned applied to other Wells Fargo credit cards. Consumers calling Wells Fargo should clearly explain they are interested in the Health Advantage credit card to avoid being given wrong rate information. ■

Note: Rates are accurate as of June 6, 2014. See individual websites for latest rates. You are prohibited from using Consumer Action's name or any reference to its surveys in advertising or for any other commercial purpose.

Danger of deferred interest

Deferred interest is a pricing structure that has been criticized by advocates and regulators.

You won't owe interest on the debt as long as you pay the entire balance off by the end of the promotional period (six to 24 months) and aren't late on any payments. But if you pay only the minimum, the issuer will charge you for all interest that accrued each month during the promotional period. Explore other ways to pay for your care.

In the simplified example below, we compare different scenarios for a $2,000 transaction made on a credit card with a 0% interest rate for 12 months and a deferred-interest deal of the same length. ■

$2,000 transaction at 26.9% interest	Total payments in 12 months ($)	Your balance in the 13th month
A. Credit card – 12-month introductory rate (0%)	**$2,000**	**$0**
B. Credit card – 12-month introductory rate (0%)	**$1,750**	**$255.47** *$250 (remaining balance) + $5.47 (interest on $250)*
C. Deferred-interest credit card deal – 12 months (0%)	**$2,000**	**$0**
D. Deferred-interest credit card deal – 12 months (0%)	**$1,750**	**$507.90** *$250 (remaining balance) + $257.90 (accrued interest)*

Medical card terms are legal, but can be murky

By Monica Steinisch

Medical (health care) cards are still credit cards despite significant differences in how they function—such as limits on the types of approved transactions, and promotional offers decided by the medical provider rather than the card issuer.

Like regular credit cards, they must follow the provisions of the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act and the Truth in Lending Act (TILA) Regulation Z. For patients considering a medical credit card, however, the terms and disclosures required under these laws are not always as clear as they ought to be.

Work-around

Under the CARD Act, credit card issuers are not allowed to impose interest rate increases retroactively. In practice, many medical credit cards have found a way around this by offering a 0% or low-interest promotional rate for up to two years and charging the regular ("go to") interest rate on the entire original balance if the bill isn't paid off by the time the promo period ends.

While some users have cried foul, the practice is legal. That's because what may appear to be a retroactive rate increase is really a "deferred-interest promotional program," and no law has banned that (yet). In fact, deferred-interest programs are not uncommon for retail credit cards, particularly for big-ticket purchases, like furniture.

Lenders are even permitted to refer to these promotions as "0%" or "no interest" offers as long as the warning "if paid in full" is also clear and conspicuous. When a consumer pays a bill subject to deferred interest, it can exist alongside another part of the balance on which interest is being charged, which creates confusion, as payments are allocated between two or more "pots."

Chi Chi Wu, a staff attorney with the National Consumer Law Center (NCLC), says she's been pushing for a while to get deferred-interest programs banned. Wu characterizes them as a "trap" because they are confusing to many consumers. Even those who understand them have a tendency to be overly optimistic about paying off the debt before the interest-free period ends. Add to that the reality that patients often get medical credit card offers while they are preoccupied with health concerns, from medical staff who are not lending professionals trained to explain complex credit card terms, and it may be a recipe for financial disaster.

While the CARD Act offers only limited rules for deferred-interest products, it does require that:

- Clear disclosures be provided about minimum payments and due dates to avoid triggering interest charges.
- Extra payment amounts (beyond the minimum payment) be allocated to the interest-free balance in the last two months of a deferred-interest promotion.

You may request that payments you make above and beyond the minimum be applied to the deferred-interest balance earlier in the promotion period, but issuers are not required to comply.

Spirit of TILA lost

The Truth in Lending Act Regulation Z (Reg Z) requires lenders to give consumers the information they need to compare offers to get the best deal on credit. Consumer Action and other advocates are concerned that consumers faced with large medical bills and pressure to pay them are "captive customers" who rarely have more than one card choice at health care providers' offices.

Typically, medical credit cards have long-term interest rates of 25% or higher. Coupled with this, consumers in a stressful situation may not receive adequate disclosures of the card's terms until after they are signed up.

Even if a consumer is motivated to compare options after leaving a doctor's office, critical disclosures—rates and terms—on medical credit card websites can be very difficult to uncover. Consumer Action's survey of medical credit cards found that upfront rate and term information was often sorely lacking. For example, attempts at locating online rate information for the Wells Fargo Health Advantage card and the Citi Health Card were remarkably difficult. We started Citi's online application process several times to gather interest rate information, but Citi failed to provide any financial details online.

Difficult to dispute

Another law, the Fair Credit Billing Act (FCBA), "provides a means for fair and timely resolution of credit billing disputes."

This is the provision that allows you to call your credit card issuer to dispute a charge when the item you ordered doesn't arrive, is damaged, isn't as advertised, or the amount charged is incorrect. These same protections should apply to medical credit cards.

In reality, consumer complaints indicate that getting your money back in a medical credit card dispute can be difficult, even if you haven't received the procedure or service yet.

Attorney Wu explains that while the FCBA gives you the right to dispute a charge and requires the card issuer to investigate, it doesn't guarantee the outcome. She suggests that the challenge in getting your money back might have to do with card issuers being more eager to keep a medical provider happy—with scores of future patients who might open an account—than to satisfy a single cardholder.

Patient payment tips

Wu cautions against relying on medical credit cards or medical loans, particularly for hospital bills.

"Request charity care, or at least first negotiate a lower rate. If you put it on a card or take a loan, you end up paying full rate." Hospitals and other medical providers typically charge uninsured patients the "rack rate"—the highest price—because there's no insurer to go to bat for them to limit allowable charges.

If you have any sort of insurance coverage (Medicaid, Medicare, etc.), confirm with the insurer that your costs won't be covered. Wu says she's heard of instances where dentists have encouraged patients to use a medical credit card rather than Medicaid because Medicaid reimbursements to the dentist are so low. ■

Help or hazard?

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page 3.)

Medical credit cards may be a useful option for some consumers. Those with a poor credit history and few other financial options might consider signing up for a medical credit card that does not run a credit check, giving them the ability to pay the bill in installments, although sometimes at high interest rates. Generally, these cards should be used only after other options are exhausted and only for necessary medical, dental and veterinary services rather than optional or cosmetic procedures.

It's worth a try to negotiate a lower charge or find a different provider. Use an online health care costs comparison tool such as Healthcare Bluebook (www.healthcarebluebook.com) or New Choice Health (www.newchoicehealth.com) to check fees at local health care providers. You can compare doctor's fees at Health in Reach (www.healthinreach.com).

For example, New Choice Health showed that the cost of an abdominal ultrasound in Washington, DC, varied from $350 to $1,850—a $1,500 difference! If the amount you were charged for a procedure or medical visit is higher, use this information in your negotiations.

Before you sign on the dotted line to use a medical credit card, take the time to look into other ways to finance your expenses, such as loans from family members, savings and lower-rate general-purpose credit cards. Always compare credit card terms and rates to get the best deal.

Information on the medical credit cards surveyed by Consumer Action can be found on pages 2-3 and online at http://bit.ly/CANews_summer_14. ■

Prescription: A dose of empathy

AccessOne calls itself the "medical credit card with a heart." Dr. Rusty Salton, chief executive officer, told us, "When you extend care, you extend credit." Salton, a physician, notes, "By the time consumers figure out what they owe, they're already in collections. AccessOne only starts billing patients once the insurance company has paid its portion of the bill."

Salton sees AccessOne as an option for those who may be facing increased deductibles. "If families now have a $3,000 yearly deductible, they need financing options. Banks are not necessarily going to extend credit at good terms to those who have okay or bad credit."

"Our hope is that banks one day emulate our practice and scale it nationwide, extending financing to all, regardless of their credit history." *Hear, hear!* ■