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 on 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 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 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 provid- ers 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 for new transactions at all, making it nearly impossible for consumers to understand the true cost of using them before they signed up.

In its research, 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.

By Michelle De Moor

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 anesthia 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 NeedyWallet 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 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 ordered CareCredit, a large medical credit card, to refund $34 million to 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 “Help or Hazard?” on page 4.)
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Consumer Action

Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A non-profit 501(c)(3) organization, Consumer Action focuses on financial education that empowers low- and moderate-income and limited-English-speaking consumers to financially prosper. By providing financial education materials in multiple languages, a free national hotline and ongoing financial services research, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices.

Advice and referral hotline
Submit consumer complaints to our hotline:

hotline@consumer-action.org
(415) 777-9635 or (213) 624-8327
Chinese, English and Spanish spoken.

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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 paying medical expenses and are not available in all states. Payment is made to the credit bureaus regardless of the lender—funds are sent to a medical credit card for repayment of medical bills.

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.

Local AccessOne customer said CareCredit Health Card required burrowing deep into its website, where few consumers would find their way. Citi’s rates were eventually determined after speaking with a service representative.

Wells Fargo rates were not to be found on its main Health Advantage site, which seemed more geared to health insurance providers. We ultimately found them via a link to a PDF download on a sub-site that annoyingly timed our access 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 rates—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 medical credit cards, including issuers that pledge on deferred interest rates when promotional rates expire without payment in full. CareCredit, Wells Fargo Health Advantage and Citi Health.

Three issuers stated they did not charge deferred interest: AccessOne, CareCredit 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.

Care 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 health care providers that offer the card.

AccessOne, MedKey and iCare cards offer 0% loans to borrowers regardless of their credit scores, which may be attractive to people with bad credit. 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-interest period.

Late payments can trigger an end to promotional pricing and damage your credit score. However, Consumer Action learned that AccessOne, CarePayment and MedKey would not report your payment history 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 on the Consumer Action website.

AccessOne MedCard
www.accessonedemcard.com
(888) 458-6272

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AccessOne offers a 60-month, 0% APR offer on eligible hospital bills. However, after three consecutive late payments, AccessOne will return the account to collections. It also has a zero percent rate last up to 25 months.

AccessOne doesn’t 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 for a card 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. Rates and terms can be found by using the payment calculator on the homepage. “We always charge interest on promotional purchases even if you pay the entire amount 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 the last day of the promotional period.

Health care providers set the promotional rates for in-office applicants. Zero percent rates last for 24-36 or 48-month fixed-rate offers of 14.9% and 14.95% or more are for a 60-month plan, 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 plan.

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 AccessOne’s promotional rate. $25/$35 returned check fee.

CarePayment
https://www.consumer-action.org

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 hospital or a credit card provider. However, the company does not post a list of participating hospitals online—consumers can call customer service to learn which hospitals participate.

Rates and terms. Zero percent interest for up to 25 months for all enrolled patients. The 0% interest promotion is also available on subsequent purchases up to $2,500.

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

Late fees and penalties. $25 late fee (every 24 months a one-time late fee waiver is available). $85 fee for returned checks. After 90 days, if all payments are late, card accounts are returned and closed to the provider. The hospital may then turn the account over to a collection agency, which may trigger a negative ‘collections’ notation on your credit report.

Applying for a card. Borrowers can apply online or by calling 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.

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CarpeDiem

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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.
- Tackl[e 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 balance, at 15.90%.

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 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 activity account to credit bureaus. However, accounts that go 120 days without payment will be reported. According to one iCare representative, a 30% default payment 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 card plan details are not available without a medical consultation.

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Deterrence 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 minimum required 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.
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, introductory 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 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 in regular credit cards, particularly for big-ticket items such as 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 deferred-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 seeing a doctor. As a result, they may not be 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 (TILA) Regulation Z (Reg Z) requires lenders to clearly communicate the information they need to compare offers to get the best deal on credit. Consumer Action and other advocates are concerned that consumers facing 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. With this, consumers in a stressful situation may not receive adequate disclosures of the card’s terms until after they are signed up.

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 rates and terms for the Wells Fargo Health Advantage card and the Citi Health Card were remarkably difficult. We started Citibank’s online application process several times to gather interest 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 correcting fairly and promptly 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 a discount rate—“the highest price—because there’s no insurer to go but 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 “satisfies a single cardholder.”

Help or hazard?

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Medical credit cards may be a useful option for some consumers. Those with a poor credit history and fewer 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 rates of interest. 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 negotiating 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 also negotiate cheaper fees at Health in Reach (www.healthinreach.com).

For example, New Choice Health showed that the cost of a single visit to a dermatologist in Washington, DC, varied from $350 to $1,850—a $1,500 difference! If the amount you owe is a large 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.


Precription: A dose of empathy

CressOne calls itself the “medical credit card with a heart.” Dr. Rusty Salton, chief executive officer, told us, “When you extend care, you extend compassion.”

As a physician, Salton notes, “By the time consumers figure out what they owe, they’re already in collections. AccessOne offers patients the insurance company has paid its portion of the bill.”

Salton sees AccessOne as an option for those who may be facing “IEnumerator or deductible.” “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 other bad credit.”

“Our hope is that banks one day emulate our practice and scale nationwide, extending financing to all, regardless of their credit history.”