

Health Care Credit Cards



The Office of the
Minnesota Attorney General
helping people afford their lives and live with dignity, safety, and respect

Citizens are struggling with the high cost of health care and gaps in insurance coverage, and many national lenders market health care credit cards and installment loans as a way for people to pay for their medical bills. These forms of credit are sometimes aggressively marketed by patients' medical clinics, dental clinics, chiropractic offices, or other providers. While these credit cards may sound enticing at first, if a patient doesn't follow all the rules in the fine print, the patient may face interest rates of up to 29.99 percent on their health care bills and late fees of \$30 or more. The Office of Minnesota Attorney General Keith Ellison offers these guidelines to citizens to avoid the pitfalls of health care credit cards.

Some Providers Aggressively Promote Health Care Credit Cards to Make More Money

Banks often encourage dentists, medical clinics, chiropractors, cosmetic and eye surgeons, weight loss programs, hearing aid dispensers, and other providers to offer health care credit cards to their patients as a way to make more money for the clinic. When a patient charges services on a health care credit card, the clinic is paid right away by the credit card company, even if the services are to be delivered in the future. Some patients report feeling pressured by their clinics to enroll in health care credit cards to pay for care that they do not need or want or cannot afford.

Patients should remember that clinics have an incentive to aggressively promote these credit cards as a guaranteed way for the clinic to get paid promptly but that the cards may not always be in the patient's best interest. Do not let your clinic pressure you into taking out a credit card you do not want. Do not sign up for anything without asking to read the fine print.

Beware of Interest-free Promotions

Health care credit cards are now offered by many of the nation's largest lenders, including JP Morgan Chase, CitiGroup, Capital One, and Synchrony Financial. Across the country, health care companies like UnitedHealth Group and Humana have offered credit cards.

Providers or lenders may try to entice patients into signing up by offering credit cards that have a zero percent interest rate if the balance is paid off within a promotional period (often 12 or 18 months) and if, during the promotional period, the consumer makes all monthly payments on time. If the balance is not paid off within the promotional period or if the patient misses a monthly payment, however, interest rates can quickly jump to as much as 29.99 percent retroactively. Before being tempted by a zero-interest offer, be absolutely sure that you can pay the balance in full during the interest-free period and that you can make all your monthly payments in full and on time. If you can't, you may end up being responsible to pay off your health care bills at double-digit rates that you cannot afford and may also be responsible for hefty late fees.

A 91-Year-Old's Experience

The Minnesota Attorney General's Office received a complaint from a 91-year-old Minnesota woman whose hearing aid dispenser convinced her to take out a health care credit card to pay for her hearing aids. The woman—who lives on \$12,000 per year in Social Security benefits—made all of her monthly payments of around \$110 on time and thought that the credit card company would bill her for her final payment. When she didn't receive a bill, she made the final payment just a few days after it was due. The credit card company then billed her for interest of \$1,200—charged retroactively to the date of the original charge. This became a very expensive way for a senior citizen on a fixed income to finance her hearing aids.

Financing Future Treatments

Some clinics convince patients to pay for services on a health care credit card that are to be delivered in the future. This may range from chiropractic services to weight loss programs to laser hair removal. The Attorney General's Office has received complaints from patients who placed charges

for future services on their health care credit card, only to see the provider go out of business. The patient was then on the hook for expensive debt for services they did not receive. Other patients report that they became unhappy with the services performed by the clinic or lost a job and could no longer afford the monthly payment, but that they were trapped into receiving treatment because they had already placed the amount of the future treatments on their credit card. Think twice before you finance yet to be delivered services on a credit card.

Credit Cards Affect Your Credit

Starting on October 1, 2024, Minnesota law bans health care credit cards from appearing on your credit report. However, the law only applies to health care credit cards when used *after* October 1, 2024. Health care credit cards debt that you owed before this date can still appear on your credit report. Because of this, health care credit card debts from before this date can still affect aspects of your daily life, ranging from the price you pay for homeowners and automobile insurance, the price you pay for credit, and your ability to get a job or rent an apartment.

Read the Fine Print

Lenders often rely on clinics to promote health care credit cards for them, with the patient having little or no contact with the credit card company. Some patients report that the terms of the health care credit card were not fully explained to them by their clinic. For example, patients have reported that they were not informed that the zero-interest promotion applied to some but not all services or that they would be responsible for retroactive interest if they missed a monthly payment. If you decide to take out a health care credit card, read the fine print. Just like any other credit card, health care credit cards can be a very expensive way of financing treatment. It can be very hard to pay off a credit card balance once interest starts accruing at rates of up to 29.99 percent.

Shop Around

Carefully evaluate whether a health care credit card is the best deal for you, or whether you can obtain a lower cost loan through your bank or credit union. Also ask whether your clinic has a payment plan that would allow you to spread out your payments over a longer period of time without taking out a credit card. If you have trouble paying for your bills, consult with a legitimate nonprofit credit counseling agency.

A Profitable Niche

Large financial companies issue health care credit cards as a way to capitalize on the high cost of health care and the lack of good insurance coverage faced by many citizens. An April 2017 study found that consumers' out-of-pocket healthcare costs have risen from \$250 per year in 1980 to over \$1,400 in 2016, with those costs projected to continue increasing for years to come. Banks thus began offering health care credit cards for sale to many consumers who do not have cash on hand to pay for large unexpected medical expenses.

A Conflict Of Interest For Clinics?

One bank vice president described his bank's health care credit card to doctors this way: "You have to think of it as a marketing tool. If it motivates one patient to come in and get the procedure who wouldn't have, that's \$4,000 to \$5,000 for that one patient."

For more information, or to file a complaint, contact:

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St. Paul, MN 55101

(651) 296-3353 (Twin Cities Calling Area)

(800) 657-3787 (Outside the Twin Cities)

(800) 627-3529 (Minnesota Relay)

www.ag.state.mn.us

You can also file a complaint with the Consumer Financial Protection Bureau (CFPB), which enforces federal laws against misleading, abusive, and unfair practices related to consumer credit. You can file a complaint with the CFPB as follows:

Consumer Financial Protection Bureau

PO Box 27170

Washington DC 20038

(855) 411-2372

TTY: (855) 729-2372

www.consumerfinance.gov/complaint/