

Recent Changes in Medical Collections on Consumer Credit Records

Data Point

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Consumer Financial
Protection Bureau

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1. Introduction

Medical collections on consumer credit reports have been an area of focus for CFPB research in recent years. In addition to studying trends in medical debt as a whole,¹ CFPB reports have documented the burden of medical debt on older Americans,² and the incidence of medical collections in rural counties in Appalachia and the Deep South region.³ There have also been recent industry actions to change how medical collections are reported. On March 18, 2022, the three nationwide credit reporting companies voluntarily announced that they would no longer report certain medical collections (medical collections reporting changes or reporting changes).⁴ Specifically, the companies announced that starting on July 1, 2022, the period of time before unpaid medical collections can appear on a consumer's credit record would be increased from 180 days to one year, and paid medical collections would no longer appear on consumer credit records at all. They also announced that beginning some time in 2023 (later confirmed as April 1), unpaid medical collections with balances below a threshold of "at least" \$500 would no longer appear on consumer credit records. These changes had the potential to benefit some consumers by reducing the number of medical collections tradelines and the dollar amount of medical debt reported on consumer credit records.

In a 2022 report (July 2022 Report), we documented the state of medical collections on consumer credit records through March 2022, prior to the announced changes, and described the consumers who were likely to have medical collections items removed as a result of the changes.⁵ Among other findings, the July 2022 Report found that around half of consumers with medical collections on their credit records were likely to have them all removed. The July 2022 Report also found that most of the changes were likely to come from removing low-balance medical collections and that the changes might disproportionately benefit consumers in certain states, and those living in majority-white and high-median-income census tracts. Other work by CFPB researchers has shown that one-off removals of medical collections can have substantial benefits for con-

¹ See Consumer Financial Protection Bureau, "Medical Debt Burden in the United States", March 2022, <https://www.consumerfinance.gov/data-research/research-reports/medical-debt-burden-in-the-united-states/>

² See Consumer Financial Protection Bureau Office for Older Americans, "Medical Debt Among Older Adults Before the Pandemic", Data Spotlight, November 2021, <https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-medical-debt-among-older-adults-before-pandemic/full-report/>; Consumer Financial Protection Bureau Office for Older Americans, "Medical Billing and Collections Among Older Americans", Issue Spotlight, May 2023, <https://www.consumerfinance.gov/data-research/research-reports/issue-spotlight-medical-billing-and-collections-among-older-americans/full-report/>

³ See Matthew Liu, Cooper Luce, Michael Orevba, and Cortnie Shupe, Consumer Finances in Rural Appalachia, Consumer Financial Protection Bureau Office of Research, Data Point, September 2022, <https://www.consumerfinance.gov/data-research/research-reports/consumer-finances-in-rural-appalachia/>

⁴ See "Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting", March 18, 2022, Press Release. Available at <https://newsroom.transunion.com/equifax-experian-and-transunion-support-us-consumers-with-changes-to-medical-collection-debt-reporting/> (Accessed August 28, 2023).

⁵ See Lucas Nathe and Ryan Sandler, Paid and Low Balance Medical Collections on Consumer Credit Records, Consumer Financial Protection Bureau Office of Research, Consumer Credit Trends Report, July 2022, <https://www.consumerfinance.gov/data-research/research-reports/paid-and-low-balance-medical-collections-on-consumer-credit-reports>

sumers' credit scores and other financial outcomes.⁶

In this report, we update the July 2022 Report with data through June 2023. We find that the share of consumers with medical collections on their credit records fell by more than was forecast in the July 2022 Report. The difference seems to be the combination of two factors. First, the data used in this report and the July 2022 Report do not include the original date of delinquency for medical collections, so the July 2022 Report could not account for collections that were between 180 days and a year past due. Second, the July 2022 Report based its estimates on data through March 2022, and there has been a continuing trend toward fewer medical collections being reported to the three nationwide credit reporting companies, independent of the medical collections reporting changes.

We use the CFPB's Consumer Credit Panel (CCP) to analyze de-identified credit records of consumers that included collections tradelines with "medical" listed as the original creditor type. The CCP is a sample of approximately five million de-identified credit records from one of the three nationwide consumer reporting agencies. We focus primarily on consumers who had medical collections on their credit records since March 2022, just prior to the medical collections reporting changes, but also discuss trends since 2018. We document the changes in the share of consumers with medical collections since March 2022, the demographics of those consumers, and the distribution of the effects of the medical collections reporting changes across that population.

One limitation of our analysis is that medical collections tradelines are not always reported to any or all of the three national credit reporting companies. Thus, the CCP does not have complete coverage of all medical collections because the CCP is derived from the records of a single company. In addition, it is important to note that the medical collections reporting changes were not the only reason for medical collections being removed over this period. As discussed in both this report and the July 2022 Report, the data show that many medical collections stop being reported every quarter, often well before the seven-year limit when they are generally required to be removed by the Fair Credit Reporting Act. Thus, we would expect many consumers who had medical collections tradelines on their credit records in March 2022 to not have any medical collections on their credit records in June 2023, even without the medical collections reporting changes.

The key findings of this report are:

- By June 2023, only five percent of consumers with a credit record had a medical collection on their credit records, down from around 14 percent in March 2022, before the reporting changes. This left over 15 million consumers with a medical collection on their

⁶ See Alyssa Brown and Eric Wilson, Consumer Credit and the Removal of Medical Collections from Credit Reports, Consumer Financial Protection Bureau Office of Research, Data Point, April 2023, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-removal-medical-collections-from-credit-reports_2023-04.pdf

credit records.⁷ Although the share of consumers with medical collections on their credit records has been trending down since at least 2017, the medical collections reporting changes appear to have led to a further sharp drop in this share.

- Since the medical collections reporting changes, consumers with medical collections remaining on their credit records have lower credit scores, and reside in lower income census tracts, compared to the larger population that had medical collections on their credit records before the reporting changes.
- The average medical collections balances per remaining consumer increased from around \$2,000 to over \$3,100.
- The share of older Americans with medical collections on their credit records fell by more than two thirds between March 2022 and June 2023, from 8.4 percent to just 2.7 percent, the largest proportionate decline of any age group.
- Although many medical collections items were removed and many consumers now have no remaining medical collections on their credit records, a majority of medical collections balances remain on credit records.⁸
- The effect of the reporting changes was uneven across states. States in the South had the most medical collections balances prior to the reporting changes, and generally had the smallest amount of balances removed and the largest shares of consumers with medical collections remaining on their credit reports after the reporting changes.

⁷ The CCP represents roughly a 1-in-48 sample of consumers with a credit record. As shown in Table 1 below, there were about 325,000 consumers in the CCP with a medical collection on their credit records in June 2023. Multiplying, $325,000 \times 48 = 15.6$ million.

⁸ As of June 2023, there were about \$49.2 billion in medical collections on consumers' credit records maintained by the nationwide consumer reporting agency that provides the CCP (roughly \$1.025 billion multiplied by 48 to scale up to the entire country). Because medical collections are not always reported to all three of the nationwide consumer reporting agencies, this is a lower bound on the total amount of medical collections that are reported nationwide. Further, medical collections tradelines on credit records are a subset of all medical collections that exist, as some medical collections are not reported to any credit reporting company. In addition, the total amount of medical debt that consumers owe is greater still, as not all medical debt is in collections at any given time.

2. Medical collections removed since the 2022 reporting changes

We begin by documenting the trends in the number of consumers who had medical collections on their credit records. The July 2022 Report documented that the share of consumers with medical collections on their credit records had been trending down since well before the medical collections reporting changes were announced. The share of consumers with at least one medical collections tradeline fell from nearly 20 percent in 2017 to around 14 percent by March 2022.⁹ In the July 2022 Report we estimated that only seven percent of consumers in March 2022 would have had medical collections on their credit records if the medical collections reporting changes were in effect at that time. The July 2022 Report did not account for medical collections tradelines that might be removed from consumers' credit records (or never added) because they were between 180 days and one year past due, as the CCP does not indicate the original due date of the underlying medical debts. In addition, even in absence of the reporting changes, we would expect the general decline in medical collections tradelines on consumers' credit records to continue, leading to fewer consumers overall with medical collections tradelines on their credit records by June of 2023 compared to March 2022.

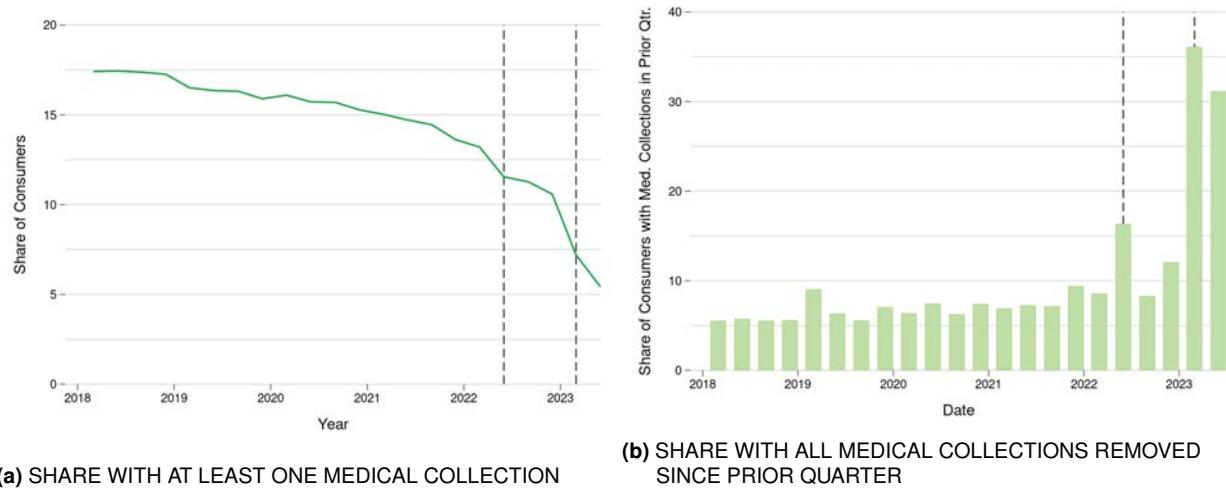
Figure 1 shows the continuation of the trend in the share of consumers with medical collections tradelines on their credit reports. Panel (a) shows the share of consumers in the CCP who had at least one medical collections tradeline (paid or unpaid) on their credit record in each quarter, while panel (b) shows the share of consumers with no medical collections tradelines on their credit records each quarter, conditional on having at least one in the prior quarter. Both panels show data from March 2018 through June 2023.¹⁰

In panel (a), we see a steady decline in the share of consumers with medical collections leading up to 2022. There was a further sharp drop in the share of consumers with medical collections on their credit records between March and June 2022. Panel (b) shows that this was an unusually large drop. Prior to March 2022, 5 to 10 percent of consumers with medical collections on their credit record in a given quarter saw all their medical collections removed the following quarter. By comparison, about 16 percent of consumers with medical collections on their credit record in March 2022 saw all of them removed by June 2022. The decline in the share of consumers

⁹ For a discussion of the general declining trend in medical collections tradelines, *see* Consumer Financial Protection Bureau, Market Snapshot: An Update on Third-Party Debt Collections, February 2023, accessible at https://files.consumerfinance.gov/f/documents/cfpb-market-snapshot-third-party-debt-collections-tradelines-reporting_2023-02.pdf

¹⁰The CCP data received by the CFPB represent a snapshot of each credit record as it was reported to the nationwide consumer reporting agency as of a particular day near the end of each month, but not generally the last day of the month.

FIGURE 1: SHARE OF CONSUMERS WITH MEDICAL COLLECTIONS, AND SHARE OF CONSUMERS WITH A MEDICAL COLLECTION THE PREVIOUS QUARTER WHO HAVE ALL MEDICAL COLLECTIONS REMOVED, OVER TIME



with at least one medical collections tradeline in June 2022 and the increase in the share with all medical collections tradelines removed from their credit records in that quarter was likely due to the element of the medical collections reporting changes that extended the period before medical collections could be reported from 180 days to one year. The other change at that time was the removal of paid medical collections, but only about 2.6 percent of medical collections tradelines were ever marked paid prior to the changes,¹¹ so this cannot account for a drop of the size we observe in June 2022.

From June 2022 through December 2022, the gradual decline in the share of consumers with a medical collections tradeline on their credit record continued. We then see a steep drop in the share of consumers with medical collections on their credit record in March 2023, continuing in June 2023. The share of consumers with a medical collection on their credit record declined from over 10 percent in December 2022 to just over five percent in June 2023. Around a third of the remaining consumers with medical collections on their credit record had all medical collections removed in each of March 2023 and June 2023.

The changes appear to have begun somewhat before the dates announced by the credit reporting companies. The removal of paid medical collections tradelines and 180-day to 1-year-old medical collections tradelines was supposed to occur on July 1, 2022, while the removal of unpaid collections with less than \$500 original balance was supposed to occur on April 1, 2023. Nonetheless, we see large shares of collections falling off in June 2022 and March 2023.¹² This is not necessarily surprising, as the CCP data consist of snapshots as of a particular day near the end of each

¹¹ See July 2022 Report.

¹² Although we focus on quarterly information from the CCP in this report, the CCP contains monthly snapshots beginning in June 2020, and we can verify that the changes begin specifically in June 2022 and March 2023, and do not occur gradually over the prior quarter. That is, there are no notable changes in May 2022 or February 2023.

month, so if the reporting changes actually went into effect happened a few days before the announced timeline of July 1, 2022 and April 1, 2023, the effects would show up in the data for June 2022 and March 2023 respectively. It is not clear whether this was due to the credit reporting company making the changes a few days earlier than had been announced, due to furnishers deciding not to furnish certain tradelines in expectation of the upcoming changes, or due to some other reason.

3. Demographics of Consumers with Medical Collections Removed since March 2022

Although many consumers had all of their medical collections removed following the medical collections reporting changes, many others did not. As a result, the average composition of the population of consumers with medical collections on their credit records changed between March 2022 and June 2023. Table 1 reports summary statistics for consumers with medical collections on their credit records in March 2022 (before the changes), December 2022 (in between phases of the changes), and June 2023 (after all the changes were in effect).

As medical collections were removed due to the reporting changes, the remaining consumers with medical collections on their credit records had lower average credit scores and were slightly less likely to have other tradelines on their credit records than consumers with a medical collections tradeline on their credit records in March 2022. The population with medical collections remaining on their credit records was more likely to reside in census tracts with a higher percentage of Black and Hispanic residents and more likely to reside in census tracts with lower median incomes. Consumers with medical collections remaining on their credit records in June 2023 had fewer distinct medical collections items than consumers with medical collections on their credit records in March 2022. However, on average the total balance per consumer across all their medical collections was significantly higher compared to consumers with medical collections on their credit records in March 2022. Whereas around two-thirds of consumers with medical collections had at least one medical collection for less than \$500 in March 2022, unsurprisingly none had any such collections by June 2023.

TABLE 1: CHARACTERISTICS OF CONSUMERS WITH MEDICAL COLLECTIONS, BEFORE, DURING AND AFTER RECENT REPORTING CHANGES

	Month Observed with Medical Collections		
	March 2022	December 2022	June 2023
Credit Score	598.2	591.8	582.0
At Least One Credit Card (Percent)	58.6	59.1	57.1
At Least One Auto Loan (Percent)	51.3	50.5	48.6
At Least One Non-Medical Collection (Percent)	35.5	36.9	40.9
No Other Tradelines (Percent)	18.0	18.3	18.5
Census Tract Percent Black	16.7	17.2	17.9
Census Tract Percent Hispanic	19.7	20.2	21.1
Census Tract Median Income (\$)	65,645.3	65,018.2	63,149.6
Age 18–29 (Percent)	15.0	16.0	15.8
Age 30–44 (Percent)	33.5	33.7	37.4
Age 45–61 (Percent)	31.2	30.9	31.2
Age 62 + (Percent)	18.1	17.7	14.8
Medical Collections Per Consumer	2.5	2.4	1.7
Average Total Balance (\$)	2,090.9	1,886.8	3,148.7
Medical Debts Less than \$500 (Percent)	65.2	62.2	0.0
Number of Consumers in CCP	786,321	635,679	325,788

4. Distributional Impacts of the medical collections reporting changes

Medical collections are not distributed evenly across the population of adults with credit records, nor are the types of collections removed by the medical collections reporting changes evenly distributed among consumers with medical collections on their credit records. In this section we examine how the medical collections reporting changes were distributed across different groups.

We first look at how the remaining medical collections tradelines on consumers' credit records are distributed across age groups. Previous research has shown that older Americans are relatively more likely to have low-balance medical collections, likely stemming from co-pays associated with Medicare.¹³ Figure 2 shows the share of consumers with medical collections tradelines on their credit records in March 2022 and the share who have them in June 2023, split into four age groups. Although the share of consumers with medical collections tradelines declined in all age groups, the largest decrease in percentage terms was for Americans 62 years and older, for whom the share with medical collections tradelines fell by more than two thirds. This is consistent with the greater share of low-balance medical collections belonging to older consumers.

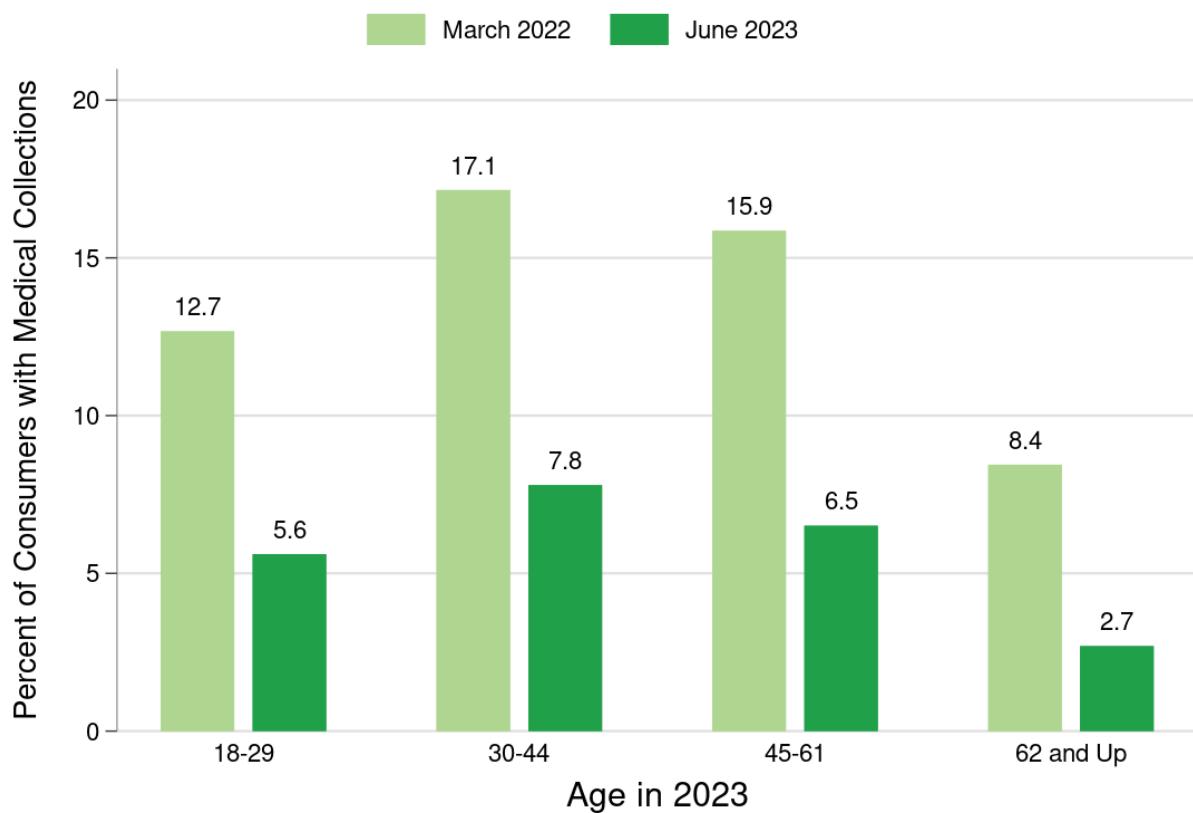
We also examine how the changes in medical collections tradelines on consumers' credit records between March 2022 and June 2023 vary by state. Figure 3 shows the share of consumers in each state with medical collections tradelines on their credit records in March 2022 and June 2023, and the total of medical collections balances per consumer with a credit record at those times.¹⁴ First, as a baseline, panel (a) shows the share of consumers in each state who had at least one medical collection on their credit records in March 2022, and panel (b) shows medical collections balances per consumer with a credit record in March 2022. States in the southeast had the highest shares of consumers with medical collections on their credit records and the highest balances per consumer prior to the medical collections reporting changes.¹⁵

¹³ See Michael Batty, Christa Gibbs and Benedict Ippolito, Health insurance, medical debt, and financial well-being, *Health Economics*, 2022.

¹⁴ Alaska, Hawaii and the District of Columbia are not shown on the maps. In Alaska, 4.3 percent of consumers had a medical collection on their credit records in March 2022, 3.3 percent of consumers had a medical collection on their credit records in June 2023, total reported balances per consumer was \$65.7 in March 2022, and total reported balances per consumer was \$112.2 in June 2023. In Hawaii, 5.4 percent of consumers had a medical collection on their credit records in March 2022, 1.2 percent of consumers had a medical collection on their credit records in June 2023, total reported balances per consumer was \$57.4 in March 2022, and total reported balances per consumer was \$42.6 in June 2023. In the District of Columbia, 6.9 percent of consumers had a medical collection on their credit records in March 2022, 2.2 percent of consumers had a medical collection on their credit records in June 2023, total reported balances per consumer was \$96.2 in March 2022, and total reported balances per consumer was \$57.6 in June 2023.

¹⁵ This is consistent with previous academic research on the geographic distribution of medical collections on consumers' credit records. See Raymond Kluender, Neale Mahoney and Francis Wong, Medical Debt in the US, 2009–2020, *JAMA*, 326(3) 2021. Geographic patterns in the incidence of medical collections tradelines may reflect differences in local medical providers' furnishing practices, in addition to actual differences in the incidence of medical debt in collections.

FIGURE 2: SHARE OF CONSUMERS WITH MEDICAL COLLECTIONS IN MARCH 2022 AND JUNE 2023, BY AGE GROUP

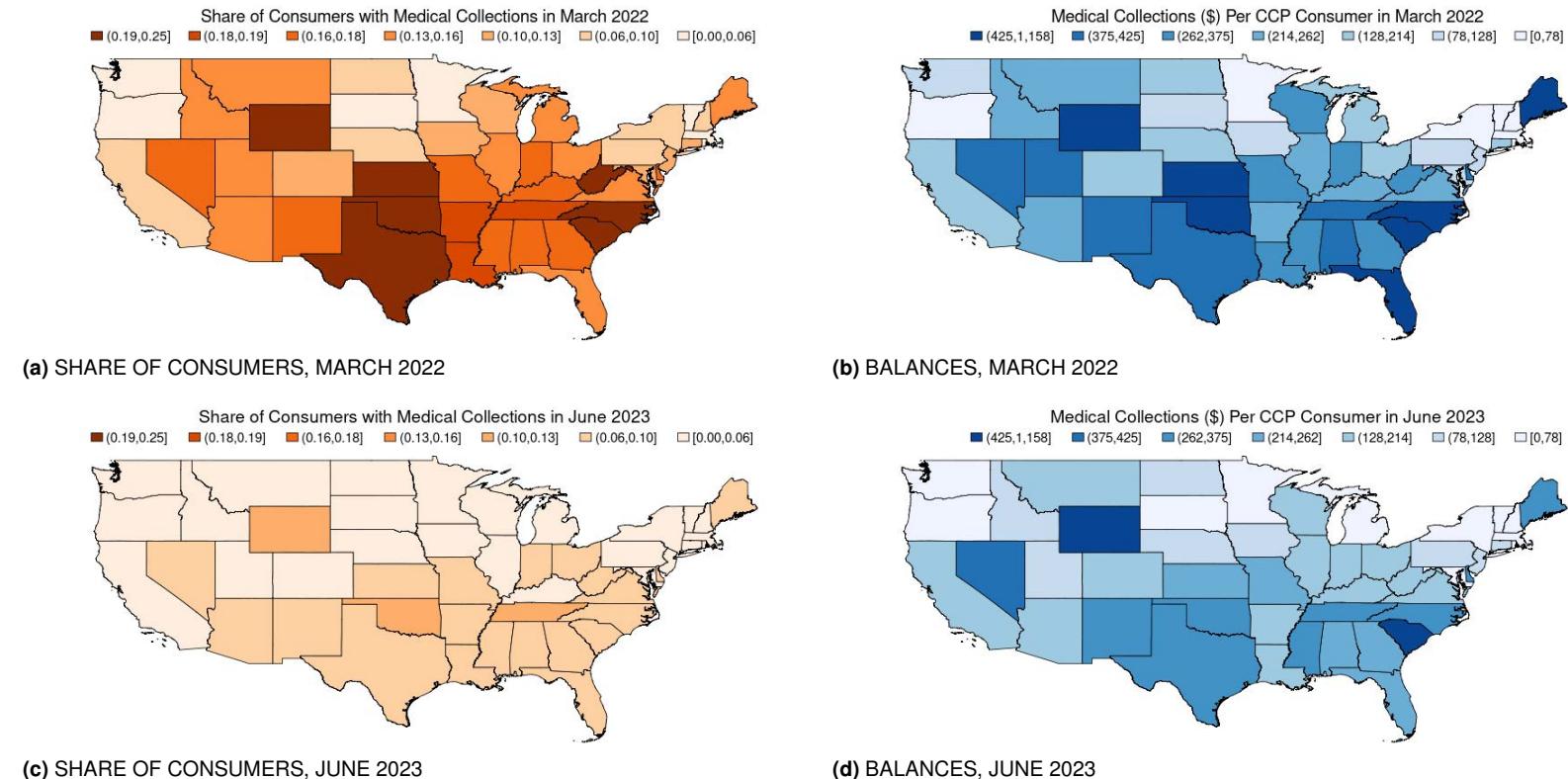


Panel (c) shows the share of consumers who had medical collections on their credit records in June 2023. Most states saw significant reductions in the shares of consumers with medical collections, but southern states continued to have significant shares of consumers with medical collections, as did Nevada and Wyoming.

Finally, panel (d) shows medical collections balances per consumer for June 2023. Some states saw much larger reductions than others. Total medical collections balances on Utah residents' credit records declined by 78 percent, while total balances for residents of neighboring Nevada fell by just 4 percent. Nationwide, reported medical collections balances fell about 38 percent between March 2022 and June 2023.¹⁶ Here we see less of a clear regional pattern, although some states clearly benefited more than others. Once again, states in the south continued to have the largest amount of medical collections on their residents' credit records after the reporting changes.

¹⁶This is somewhat higher than the amount projected by the July 2022 Report. The discrepancy is likely because that report only calculated the total balances of medical collections that were paid or had an initial balance of less than \$500, but it did not account for collections that were less than one year old. As noted above in the discussion of Figure 1, there was a larger decline in the share of consumers with medical collections on their credit records in June 2022 than can be explained by the removal of paid medical collections tradelines alone. This means that removing medical collections tradelines that were between 6 and 12 months past due likely had a separate effect.

FIGURE 3: CONSUMERS WITH MEDICAL COLLECTIONS TRADELINES ON THEIR CREDIT RECORDS AND MEDICAL COLLECTION BALANCES IN MARCH 2022 AND JUNE 2023



Finally, we examine how the recent changes in medical collections tradelines were distributed across census tract demographics. Table 2, below, reports the distribution of consumers with medical collections on their credit records in March 2022, categorized by median household income and majority race and ethnicity of residents in their census tract.¹⁷ The first column reports the share of consumers in the full CCP data (not only those with medical collections tradelines) who reside in census tracts in each category, as a baseline.¹⁸ The second column reports the distribution of consumers with at least one medical collections tradeline on their credit record in March 2022 across the categories, the third column reports the distribution of consumers who had at least one such tradeline removed by June 2023, and the final column reports the distribution of consumers who had all medical collections tradelines removed from their credit records by June 2023.

Consumers residing in majority Black and majority Hispanic census tracts are over-represented among those with medical collections tradelines relative to the share of these consumers among all Americans with a credit record. For instance, although six percent of consumers in the CCP reside in majority Black census tracts, more than 10 percent of consumers with medical collections on their credit records in March 2022 resided in these census tracts. Consumers who had all their medical collections tradelines removed by June 2023 are slightly less concentrated in majority Black census tracts than consumers with medical collections tradelines on their credit records overall. By comparison, residents of majority white census tracts represent a slightly larger share of consumers who had all their medical collections removed than their share of consumers with any medical collections on their credit records. As such, consumers with medical collections on their credit records in majority white census tracts likely benefited disproportionately from the medical collections reporting changes, although the difference is relatively small. Consumers with all medical collections removed by June 2023 are still significantly more likely to reside in majority Black or Hispanic census tracts relative to the population of all consumers with a credit record in the CCP.

Turning to the second part of Table 2, we see that although consumers in the CCP overall are distributed roughly evenly between the median income categories, reported medical collections are concentrated disproportionately among consumers who reside in census tracts with lower median income. For instance, while 20.3 percent of consumers in the CCP reside in a census tract with median income below \$50,000, more than 31 percent of consumers with medical collections tradelines on their credit records in March 2022 resided in those census tracts. At the same time, consumers whose medical collections were all removed from their credit records by June 2023 were slightly more likely to reside in higher income census tracts compared to all consumers with

¹⁷The table uses the census tract where consumers resided as of March 2022.

¹⁸The baseline shares in Table 2 differ somewhat from those reported in the equivalent table in the July 2022 Report. The July 2022 Report used census tract demographics from the Census Bureau's 2015–2019 5-year estimates from the American Community Survey (ACS), the most recent available at the time. This report uses the 2017–2021 5-year ACS estimates, now the most recent available. In particular, this report uses different thresholds for household median income. As in the prior report, the goal of these thresholds is to contain around a quarter of all CCP consumers in each group. Due to increases in household incomes over time, higher thresholds were required to achieve this goal using the more recent ACS data.

a medical collection on their credit records. Residents of census tracts with median income above \$100,000 represent 11 percent of consumers with medical collections on their credit records but 12.4 percent of consumers who had all their medical collections removed following the medical collections reporting changes. Consumers with all medical collections removed by June 2023 are still significantly more likely to reside in lower-median-income census tracts relative to the population of all consumers with a credit record in the CCP.

TABLE 2: DISTRIBUTION ACROSS CENSUS TRACT CHARACTERISTICS OF CONSUMERS WITH MEDICAL COLLECTIONS IN MARCH 2022, BY STATUS IN JUNE 2023

% of Consumers in tracts that are...	All CCP Consumers	Consumers with Med. Collections in 3/22		
		All	At Least One Med. Collection Removed by 6/23	All Med. Collections Removed by 6/23
Majority Black	6.3	10.4	10.1	9.9
Majority Hispanic	10.5	12.3	11.3	11.2
Majority White	73.3	68.0	69.7	70.0
Majority Other or No Majority	9.8	9.2	8.9	9.0
Median Income \$0 to \$50K	20.3	31.7	30.6	29.2
Median Income \$50K to \$75K	34.8	39.5	39.8	39.5
Median Income \$75K to \$100K	22.4	17.8	18.2	18.9
Median Income \$100K+	22.5	11.0	11.4	12.4
Number of Consumers in CCP	5,894,336	785,042	601,302	457,577

5. Conclusion

This report documents some of the changes in the reporting of medical collections items on consumer credit records between March 2022 and June 2023. A majority of individual medical collections items were removed from consumers' credit records during this period. Combined with a continuing declining trend in reporting medical collections overall, the share of consumers with at least one medical collections tradeline on their credit report fell from about 14 percent to about 5 percent, a decline of almost two thirds. However, the tradelines removed were primarily those with low balances, below \$500. As a result, the total balances of medical collections on credit records fell less, by 38 percent nationwide.