

CONSUMER FINANCIAL PROTECTION BUREAU | JUNE 2022

# Office of Servicemember Affairs Annual Report

January – December 2021



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# Executive Summary

Since the Consumer Financial Protection Bureau (CFPB) began accepting consumer complaints in July 2011, servicemembers, veterans, and their families have submitted more than 250,000 complaints. In 2021 alone, servicemembers submitted more than 42,700 complaints—a 5% increase compared to 2020, and a 19% increase compared to 2019. The most common types of complaints were credit or consumer reporting and debt collection, which in total accounted for more than 60% of servicemember complaints.

Inaccuracies in credit reporting and alleged debts subject to collection pose unique challenges for servicemembers, particularly with respect to how they impact servicemembers' housing, transportation, and security clearance. As our analysis of complaints illustrates, problems with medical billing practices are one of the main drivers of the servicemember complaints about consumer reporting and debt collection. That is particularly problematic given the general expectation that our armed forces will receive full coverage of their medical expenses as a core benefit of their service to our nation. Further exacerbating the risks such inaccuracies can pose, many servicemembers have complained that nationwide consumer reporting companies (NCRCs) failed to adequately respond to disputes and requests for investigation.

This report outlines many of the contributing factors to these dynamics and steps that can be taken to address them. The report also provides further evidence of broader problems concerning medical billing and underlines the dangers regarding the coercive way credit reporting systems can be used to the disadvantage of consumers, especially among military families. Some of the report's key findings regarding servicemembers' complaints about credit reporting and medical billing and collections include:

- **Servicemembers report distinct harms from inaccurate information on their reports.** In 2021, servicemembers submitted more than 17,000 credit or consumer reporting complaints, making it the most commonly complained about financial product or service. Reporting errors result in distinct harms to servicemembers, including jeopardizing housing, transportation, and clearance status. The risk of these distinct harms makes servicemembers particularly vulnerable to coercive credit reporting.

- **The nationwide consumer reporting companies (NCRCs) fail to appropriately respond to servicemembers.** Credit reporting companies were not responsive to servicemembers' requests for investigations, jeopardizing their security clearances, job security, and promotion eligibility. Nearly 59 percent of the servicemembers who submitted complaints on credit reporting claimed that the investigation did not fix an error on their credit report. There was also a 71 percent increase in the number of servicemembers claiming the investigation took more than 30 days (the time limit that generally applies). Servicemembers reported that they feared the irreparable harm that negative credit reporting of incorrect medical bills could cause to their careers.
- **Medical billing problems are a driver of credit report and debt collection complaints.** Despite the widespread expectation that a core benefit of military service will be full coverage of medical expenses, servicemembers experienced a range of debt collection and credit reporting activity related to medical bills. This report analyzes more than 5,000 complaints the CFPB received from servicemembers and their families from 2018 to 2021 regarding medical billing and collections. In 2021 alone, there were over 1,500 complaints from servicemembers pertaining to incorrect medical bills appearing on credit reports.
- **Active-duty military encounter problems with private medical billing companies.** One common way that servicemembers accrue medical debt is by the servicemember seeing a private provider (either through referral or emergency care) and the medical billing process between the provider and TRICARE (the insurance program for active-duty military) breaking down.
- **National Guard members and Reservists report similar problems with medical billing and collections.** The CFPB has heard from reservists that providers do not bill the correct entity due to confusion over reservists not being full-time military members. Providers often send the bill directly to the servicemember instead or straight to a debt collector if it is not paid right away.

Consistent with the report findings, the CFPB will use its authorities to address concerns raised in the report and offers the following recommendations:

- **More robust data is needed about the scope and impact of medical debt on servicemembers.** Perhaps due to a perception that servicemembers do not face challenges with medical debt, there is a lack of available data about the problem. These complaints raise significant concerns that medical debt is having an underappreciated and understudied effect on servicemember's financial health, which in turn can affect military readiness.

- **Medical providers and third-party billing companies should have adequate systems in place to serve servicemembers (including those in the Reserve and National Guard components), retirees, veterans, and their families.** Complaints suggest that billing issues often occur when providers or third-party billing companies fail to work with TRICARE to get paid for the services they provided. The same issues can occur when providers or third-party billing companies fail to work with the Veterans Choice Program (VCP) for services provided to veterans. As the CFPB has noted in other contexts, collecting debts that are not actually owed can violate the Fair Debt Collection Practices Act, and furnishing information about debts that are not owed can violate the Fair Credit Reporting Act.<sup>1</sup>
- **NCRCs should ensure servicemembers, veterans, and their families receive adequate responses to their complaints.** Federal law requires the NCRCs to conduct a review of certain complaints sent to them by the CFPB and to report their determinations and actions to the CFPB. The failure of NCRCs to timely and accurately respond to complaints takes a particular toll on military families. The CFPB will also use its authorities to ensure that consumers receive sufficient responses to their complaints.
- **Medical providers, as well as the NCRCs, should consider emulating recent changes by the VA.** The VA's new rule on credit reporting is a positive step, but complaints indicate that military families are still facing harm from medical billing and collection in other contexts. The VA's changes may be a good model for others serving servicemembers. These changes include exhausting all other collection efforts and reviewing consumers' ability to repay before reporting a medical debt as unpaid and delaying the inclusion of a servicemembers' debt on consumer credit reports for a period of time.

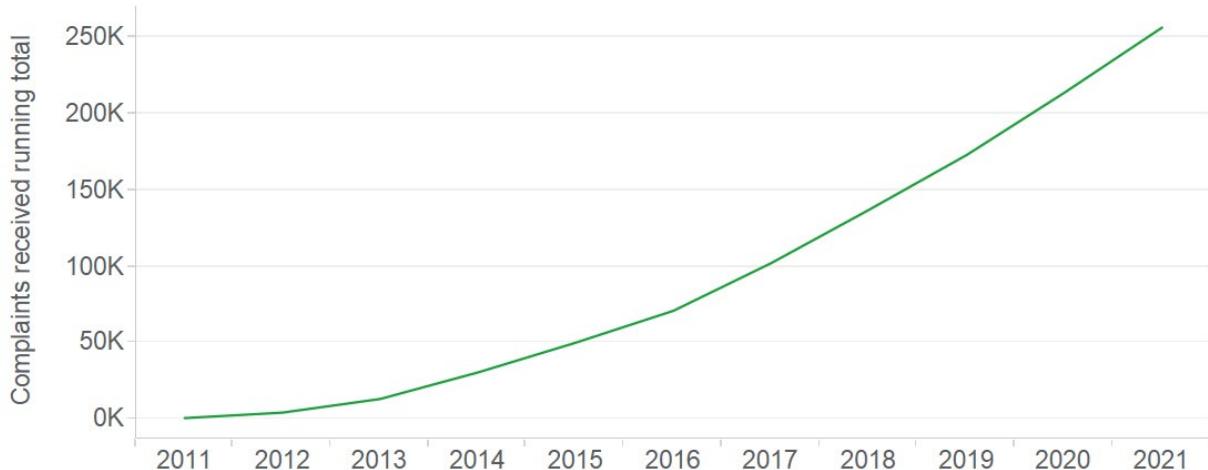
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<sup>1</sup> See generally Consumer Fin. Prot. Bureau, *Bulletin 2022-01: Medical Debt Collection and Consumer Reporting Requirements in Connection with the No Surprises Act* (Feb. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_bulletin-2022-01\\_no-surprises-act\\_2022-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2022-01_no-surprises-act_2022-01.pdf).

# 1. Introduction

The Consumer Financial Protection Bureau (CFPB) began accepting consumer complaints in July 2011.<sup>2</sup> Since then, servicemembers, veterans, and their families (“servicemembers”) have submitted more than 250,000 complaints (Figure 1).<sup>3</sup> In 2021 alone, servicemembers submitted more than 42,700 complaints—a 5% increase compared to 2020, and a 19% increase compared to 2019.

**FIGURE 1:** CUMULATIVE COMPLAINT VOLUME SUBMITTED BY SERVICEMEMBERS<sup>4</sup>



<sup>2</sup> Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer’s personal experience with a financial product or service. See generally Consumer Fin. Prot. Bureau, *Consumer Response Annual Report* (Mar. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_2021-consumer-response-annual-report\\_2022-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_2021-consumer-response-annual-report_2022-03.pdf).

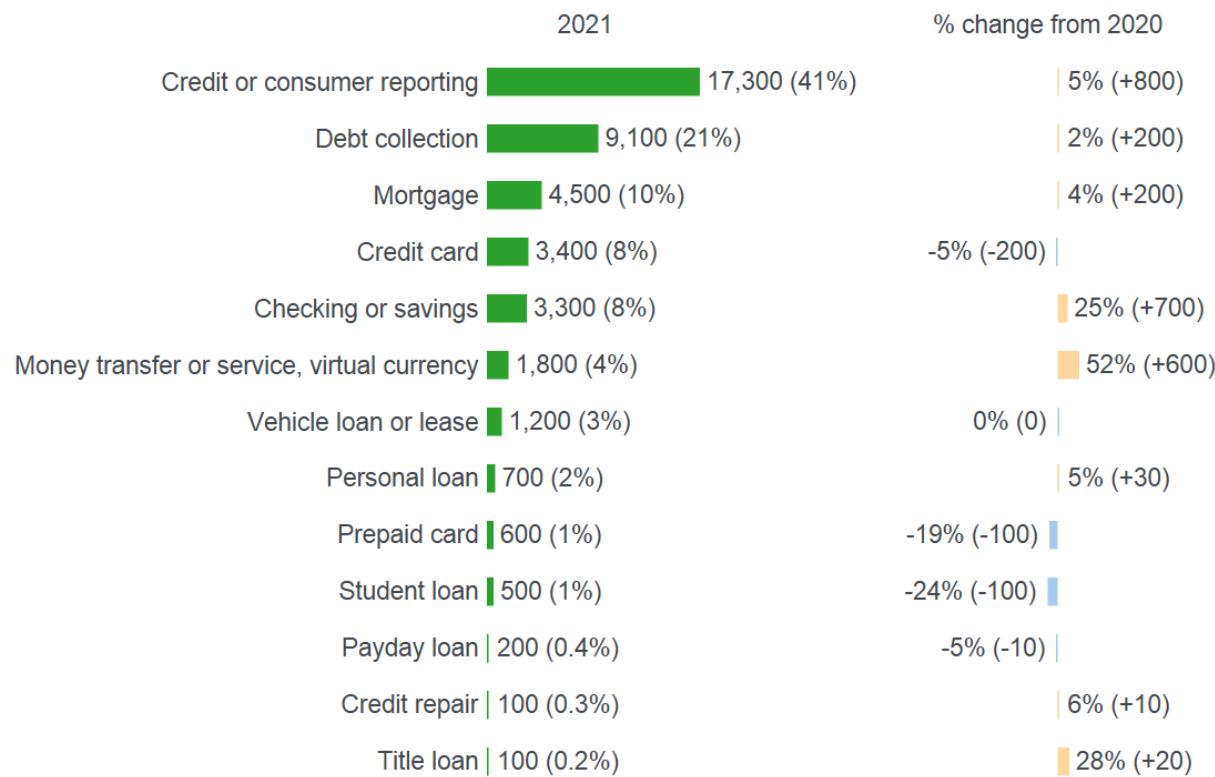
<sup>3</sup> Complaint data in this report are current as of May 1, 2022. This report excludes some complaints that the CFPB received, including multiple complaints submitted by a given consumer on the same issue (i.e., duplicates), whistleblower tips, and complaints that the CFPB found were submitted without the consumer’s authorization. Complaint numbers are rounded throughout the report; therefore, numbers and percentages may not sum to sub-totals or 100%.

<sup>4</sup> The CFPB expanded its complaint handling and Consumer Complaint Database over several years. The CFPB added the last product to the complaint form in February 2016. See Consumer Fin. Prot. Bureau, *Consumer Complaint Database Release Notes*, <https://cfpb.github.io/api/ccdb/release-notes.html>.

Servicemembers are expected to keep their finances in order at every step of their military career. The CFPB is interested in ensuring that servicemembers are able to effectively navigate the military financial lifecycle.<sup>5</sup> Complaints provide the CFPB with information about the challenges military members—at home and abroad—encounter. Monitoring these complaints helps the CFPB hold companies accountable, while also fulfilling a statutory requirement.<sup>6</sup>

In 2021, servicemembers submitted more complaints about credit or consumer reporting and debt collection than any other financial product or service; indeed, these complaints accounted for more than 60% of servicemember complaints (Figure 2). This annual report summarizes key topics it received from servicemembers throughout the United States and from military bases abroad (Figure 3).

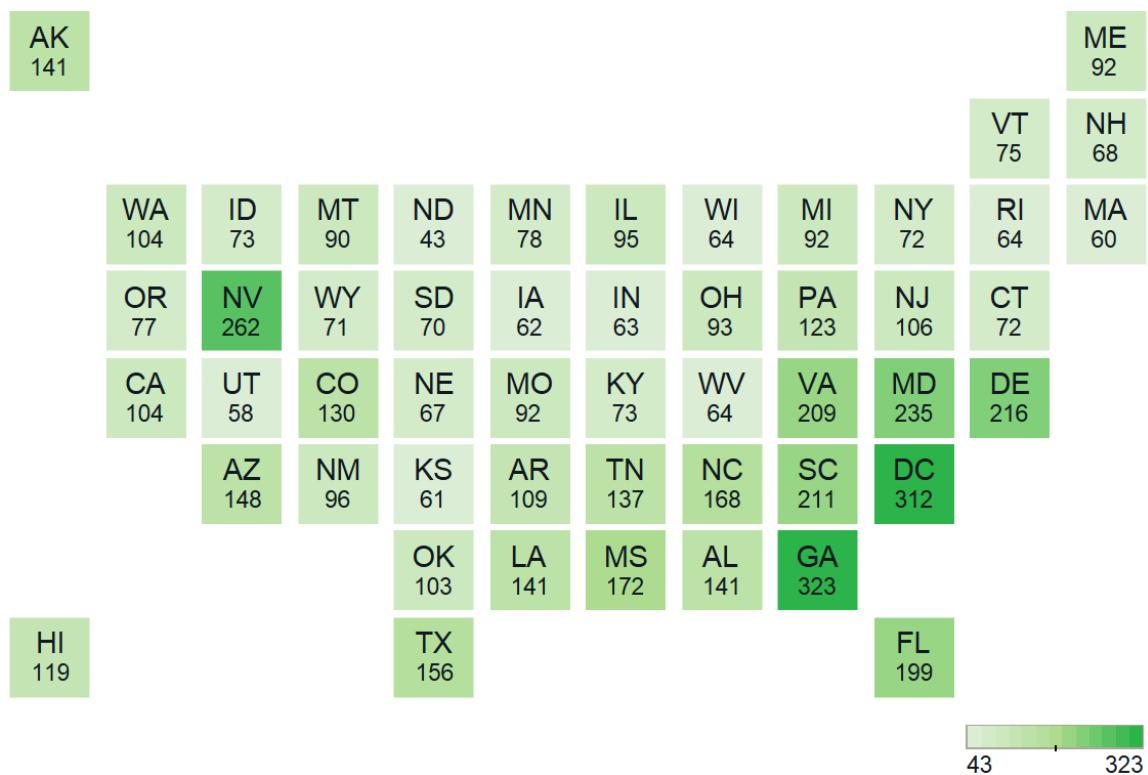
**FIGURE 2: SERVICEMEMBER COMPLAINT VOLUME BY FINANCIAL PRODUCT OR SERVICE**



<sup>5</sup> See e.g., Consumer Fin. Prot. Bureau, *Navigating the military financial lifecycle*, <https://www.consumerfinance.gov/consumer-tools/military-financial-lifecycle/>.

<sup>6</sup> See Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203 (Dodd-Frank Act), Section 1013(d) (“monitor complaints by service members and their families ...”).

**FIGURE 3: COMPLAINT SUBMISSIONS BY SERVICEMEMBERS PER 1M POPULATION**




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The CFPB also received approximately 760 from servicemembers stationed abroad in 2021.

## 2. Credit or consumer reporting

Accurate consumer reporting is critical for all consumers, but especially servicemembers. Servicemembers rely on accurate reports to participate in the financial marketplace (e.g., buying a car, obtaining a credit card), as well as to maintain their employment and security clearance. Consumer reporting has long been a source of problems for servicemembers, and the CFPB has published many of their concerns.<sup>7</sup> In 2021, servicemembers submitted more than 17,000 credit or consumer reporting complaints, making it the most commonly complained about financial product or service.<sup>8</sup>

### 2.1 Servicemembers describe inaccurate information on their reports

The most common issue servicemembers raised in their credit or consumer reporting complaints is problems with incorrect information on a report. In 2021, 51% of credit or consumer reporting complaints submitted by servicemembers were about this issue (Figure 4).

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<sup>7</sup> See e.g., Consumer Fin. Prot. Bureau, Office of Servicemember Affairs Annual Report January 1–December 31, 2020 (May 2021) at Sec. 3.1, [https://files.consumerfinance.gov/f/documents/cfpb\\_osa-annual-report-2020.pdf](https://files.consumerfinance.gov/f/documents/cfpb_osa-annual-report-2020.pdf).

<sup>8</sup> See Consumer Fin. Prot. Bureau, Annual report of credit and consumer reporting complaints (Jan. 2022) at Sec. 3.1, [https://files.consumerfinance.gov/f/documents/cfpb\\_fera-611-e\\_report\\_2022-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_fera-611-e_report_2022-01.pdf) (offering reasons as to why credit or consumer reporting complaint volume has increased over the past several years and how consumers submit multiple complaints in a single complaint session).

**FIGURE 4: CREDIT OR CONSUMER REPORTING COMPLAINTS BY ISSUES SUBMITTED BY SERVICEMEMBERS, 2021**



Servicemembers submitted complaints about data furnishers, consumer reporting companies, or both, in this category. Yet, the majority of complaints—more than 60%—were submitted about the nationwide consumer reporting companies (NCRCs): Equifax, Experian, and TransUnion.

**In their complaints about these companies, servicemembers described issues that resemble issues reported by civilian populations.** Servicemembers, for example, reported not recognizing a debt on their report, being a victim of identity theft, and first learning of a debt when they obtained a copy of their credit report. As one servicemember described:

Upon return from Military Deployment, I was made aware of an outstanding debt with ... a cable service provider I had service with in [Tennessee]. I contacted them and made payment in full ... The following month I noticed [debt collector], a collection agency for [cable service provider], was erroneously reporting incorrect information to my personal credit file. I have disputed this account multiple times with all three credit bureaus and [debt collector] has failed in correcting the erroneous information. Since [debt collector] continues to tarnish my financial reputation with erroneous data and can't seem to get it right after multiple investigations resulting in them stating "data is validated," I demand deletion of this account and request your assistance in ensuring this action takes place.<sup>9</sup>

**Servicemembers reported that medical bills they do not owe are a source of inaccurate information on their reports.** Although active-duty military and their families have health insurance coverage provided by the government, it does not prevent these

<sup>9</sup> Consumer Complaint 4771045, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4771045>.

servicemembers from receiving medical bills.<sup>10</sup> Servicemembers reported that medical bills they did not owe were turned over to collectors and subsequently furnished on their report.<sup>11</sup> For example, as one servicemember described:

I asked the company, [NCRC], to investigate thoroughly the [debt collector] account on my credit report because it is inaccurate. It is for a medical debt that I am not responsible for. The hospital that it would have come from had full access to our insurance information and billed by our active-duty military insurance, Tricare. The insurance paid this debt. Now, [debt collector] is trying to get double paid by us as patients as well for the hospital. This is illegal and unethical. I have asked the creditor and [NCRC] several times to remove it and have even provided evidence to w[h]ere other credit bureaus found it to be a fraudulent debt claim and remove it. [NCRC] still refused to remove it.<sup>12</sup>

Another servicemember reported:

I'm in the army and the main hospital in my location is [location] Air Force base. Being that I was in bad pain I couldn't make it to the [base] hospital in time so I needed to go [local hospital] on April 14. I called the ambulance and was sent to the hospital. Tricare, the military medical insurance paid the hospital [in sufficient] time and not the ambulance because they did not send them the signed documentation for correction to be paid. However, it was eventually fixed and they received their payment, roughly 3 days before the charges appeared on my credit which has been since April. I contacted the community ambulance and they said that should not have happened because my bill was paid and they would contact the debt collector to remove the debt which has been over a month. I tried to

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<sup>10</sup> See discussion *infra* Section 3. Unlike debt collection, credit or consumer reporting complaints do not currently ask the type of tradeline that is in controversy. A keyword search for “medical OR doctor” in credit or consumer reporting complaints submitted by servicemembers from 2018 to 2021 yields more than 500 complaints in the public Consumer Complaint Database, [https://www.consumerfinance.gov/data-research/consumer-complaints/search/api/v1/?date\\_received\\_max=2021-12-31&date\\_received\\_min=2018-01-01&field\\_all&format=csv&has\\_narrative=true&no\\_aggs=true&product\\_Credit%20reporting%2C%20credit%20repa...](https://www.consumerfinance.gov/data-research/consumer-complaints/search/api/v1/?date_received_max=2021-12-31&date_received_min=2018-01-01&field_all&format=csv&has_narrative=true&no_aggs=true&product_Credit%20reporting%2C%20credit%20repa...). This result does not include complaints where the servicemember did not provide consent to have their narrative published.

<sup>11</sup> A recent CFPB report estimates that there are roughly 43 million people with medical debt on their credit report, with an outstanding total balance of around \$88 billion. See Consumer Fin. Prot. Bureau, *Medical debt burden in the United States* (Mar. 2022), <https://www.consumerfinance.gov/data-research/research-reports/medical-debt-burden-in-the-united-states/>.

<sup>12</sup> Consumer Complaint 4140969, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4140969>.

dispute it myself and I have proof that it was paid and it should not have been on my credit, to begin with.<sup>13</sup>

## 2.2 Servicemembers report difficulties having errors corrected

When consumers, including servicemembers, believe there is inaccurate information on their credit report, the Fair Credit Reporting Act (FCRA) enables them to dispute the information. Consumers may dispute information with the data furnisher (e.g., a lender or servicer), one or more national consumer reporting companies (NCRCs), or both the furnisher and NCRCs. Servicemembers may also submit complaints to the CFPB. NCRCs must satisfy legal requirements when information is disputed. Under the FCRA, if a consumer disputes with the NCRC the completeness or accuracy of an item of information, the NCRC has an obligation to conduct a reasonable reinvestigation.<sup>14</sup> There are specific timelines, notification requirements, and actions a NCRC must follow when conducting a reasonable reinvestigation.<sup>15</sup> The CFPB has documented the challenges consumers face in having inaccurate information removed or updated on their reports maintained by the NCRCs.<sup>16</sup> Complaints suggest that the experience of servicemembers is similar.

**Complaint analyses suggest that servicemembers encounter issues when disputing inaccurate information.** About one-third of credit or consumer reporting complaints submitted by servicemembers were about problems with a company's investigation into an existing issue (Figure 4). In these complaints, servicemembers describe NCRCs discarding information they provide about inaccurate accounts, not providing timely responses to their dispute letters, or not providing a response entirely. For example, as a servicemember reported:

I requested [NCRC] investigate three negative tradelines via a certified mail receipt requested and they opened the investigation on January 22, 2021 with an estimated completion date of February 24, 2021. Not only did [NCRC] not complete the investigation by the 24th, but the lender ... only marked the two

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<sup>13</sup> Consumer Complaint 4417210, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4417210>.

<sup>14</sup> 15 U.S.C. § 1681i(a)(1)(A).

<sup>15</sup> See, e.g., Consumer Fin. Prot. Bureau, Supervisory Highlights Consumer Reporting Special Edition (Dec. 2019) at Section 3.4, [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights\\_issue-20\\_122019.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights_issue-20_122019.pdf).

<sup>16</sup> See generally Consumer Fin. Prot. Bureau, *supra* note 7.

accounts as "customer disputes - investigation in progress" days after the 30 day dispute window expired.<sup>17</sup>

**Complaint analyses also suggest that servicemembers receive inadequate and incomplete responses to their consumer complaints.** When servicemembers submit complaints to the CFPB, the CFPB expects the NCRCs to respond to complaints, including those complaints where they have an obligation to do so under the FCRA. The CFPB's complaint analyses suggest that, in 2021, the NCRCs ignored their obligation, leaving many servicemembers without a response to the issues they raised in their complaints.<sup>18</sup>

## 2.3 Reporting errors result in distinct harms to servicemembers

The consequences of having inaccurate information on a report or not successfully correcting that information are numerous. The CFPB has summarized how problems correcting inaccurate information may result in frustration, stress, wasted time and money, payments for debts consumers state they do not owe, and feeling caught between furnishers and NCRCs.<sup>19</sup> The circumstances associated with being a servicemember create additional and distinct challenges.

**The Department of Defense continuously monitors the financial status of servicemembers with security clearances; therefore, errors on a report can jeopardize a clearance status.** Many servicemembers, including all officers, are required to have national security clearance checks that include detailed reviews of their credit history. These checks can occur at any time. If a review reveals a history of failing to meet their financial obligations, being in excessive debt, or having a high debt-to-income ratio, the security clearance may be revoked.<sup>20</sup> Because of the reliance on a servicemember's report, it is imperative that their reports are accurate.

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<sup>17</sup> Consumer Complaint 4177455, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4177455>.

<sup>18</sup> See generally Consumer Fin. Prot. Bureau, *supra* note 7.

<sup>19</sup> *Id.* at Sec. 3.2. See also Press Release, Veterans Affairs, VA establishes new threshold for reporting benefit and medical debt (Feb. 2022), <https://www.va.gov/opa/pressrel/pressrelease.cfm?id=5758>. ("Reporting debt to consumer reporting agencies impacts credit worthiness and negative reports may cause financial distress for Veterans").

<sup>20</sup> See e.g., Consumer Fin. Prot. Bureau, *WARNO: New security clearance guidelines make it more important than ever for servicemembers to monitor their credit* (Aug. 20, 2018), <https://www.consumerfinance.gov/about-us/blog/warno-new-security-clearance-guidelines-make-it-more-important-ever-servicemembers-monitor-their-credit/>.

**Servicemembers move often, and so errors on a report can jeopardize housing and transportation.** Every year, an estimated 400,000 servicemembers make a permanent change of station (PCS).<sup>21</sup> A PCS may take a servicemember (and any family living with them) to a different duty location. During a PCS, a servicemember typically applies for new housing at their new duty station and may need to purchase an automobile or other big-ticket items, like household goods or appliances. Errors on a servicemember's report can frustrate their ability to make this transition smoothly.

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<sup>21</sup> See Military One Source, PCS: The Basics About Permanent Change of Station (last updated: Jan. 12, 2022), <https://www.militaryonesource.mil/moving-housing/moving/planning-your-move/pcs-the-basics-about-permanent-change-of-station/>.

# 3. Medical billing and collections

When an individual joins the military, a principal benefit is health insurance coverage for the servicemember and their family. The military uses health insurance as an incentive to recruit new members. The U.S. Army, for example, includes “the best health care benefits in the country” among its list of benefits.<sup>22</sup> Given this guarantee—and the sacrifices military members and their families make in service to their country—medical billing should be handled promptly so servicemembers are not left with an erroneous medical bill.

Unfortunately, too often, this is not the case. The CFPB has received thousands of debt collection complaints from servicemembers detailing medical billing issues that have gone wrong. And as discussed in Section 2, many more servicemembers report credit or consumer reporting problems associated with medical billing procedures.<sup>23</sup>

## 3.1 Active-duty military encounter problems with billing from private providers

All active-duty military and their families are automatically enrolled in an insurance program called TRICARE Prime that generally covers all their medical needs. Most active duty servicemembers and their families receive treatment at a military treatment facility (MTF) and have no payment due for services or medication and no paperwork. But when specialty care is needed, a primary care manager (PCM) may send the servicemember or their family member to a third-party TRICARE regional contractor. The PCMs make a referral to specialists who can provide services that could not be provided at the MTF, work with the regional contractor for referrals and authorizations, accept copayments from servicemembers, and work with the private provider to submit claims for the covered servicemember or family member.

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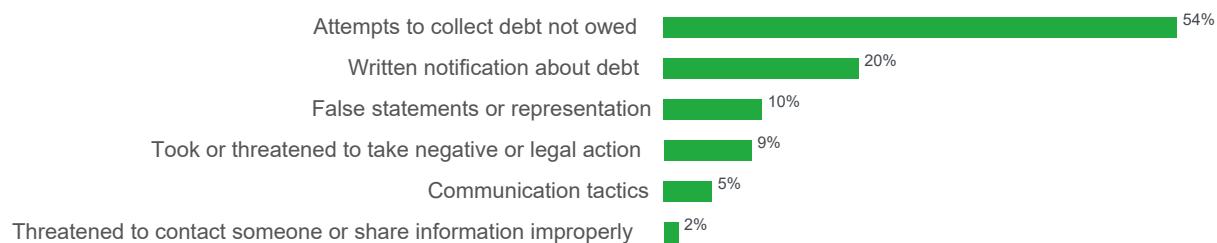
<sup>22</sup> See U.S. Army, *Army Health Care and Vacation*, <https://www.goarmy.com/benefits/health-care-vacation.html>.

<sup>23</sup> See discussion *supra* Section 2.1.

When a servicemember seeks medical care at a private healthcare provider, the provider typically collects pertinent information (e.g., the servicemember’s military ID as proof of insurance) and later submits a claim to TRICARE. Nonetheless, complaints indicate that servicemembers often discover months later that there is a billing issue, that their account has been turned over to collections, or that negative information has been furnished to the consumer reporting company.

In their medical debt collection complaints to the CFPB, the most common issue servicemembers identified was attempts to collect a debt not owed.<sup>24</sup> In 2021, 54% of medical debt collection complaints submitted by servicemembers were about this issue (Figure 5).

**FIGURE 5: SERVICEMEMBERS’ MEDICAL DEBT COLLECTION COMPLAINTS BY ISSUE, 2021**



Based on the CFPB’s review of medical debt collection complaints, several factors may result in a medical bill collection for active duty servicemembers.

**Receiving treatment at a civilian healthcare provider is a common precursor to medical collections.** Active duty servicemembers typically receive treatment at an MTF. But complaints suggest that collections issues sometimes occur when servicemembers are referred for outpatient services or use emergency services outside of an MTF.

**Healthcare providers who do not routinely treat active-duty military may not have sufficient policies to process TRICARE claims.** Servicemembers reported that billing issues occurred because private medical providers failed to collect key information for their TRICARE claims, did not associate their coverage with their account, or failed to submit the claim to TRICARE for processing. As one servicemember described:

On the date of service, I was covered medically under Tricare Prime (Active Military Insurance) insurance and I provided this information at this time. Tricare

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<sup>24</sup> The term “medical debt collection complaints” is used in this report to mean complaints submitted in the debt collection category where the servicemember indicated that the type of debt in collection was medical.

was never billed by the provider. This is a provider error and has wrongfully been placed in collections.<sup>25</sup>

Some servicemembers reported that their claims were not timely processed, and they learned of an outstanding medical bill only after receiving a collection attempt months later. Other servicemembers only learned of an outstanding debt when applying for a loan, trying to secure housing, or reviewing their credit report. For example, as a servicemember reported:

I was seen in the ER at [hospital] in [location] and needed radiology services. Upon my arrival at the ER, I completed all the necessary insurance paperwork and provided my military ID to verify Tricare coverage. When I left the ER the same day I was provided more paperwork at check out which I completed. I received one bill from [company] in May of 2020 but there was no mention of them not having my Tricare information. I also received a bill from the hospital but that was paid by Tricare and so I assumed (which I should not have done) that the radiology bill was taken care of as well because I never received another bill. In February of 2021, three separate account numbers from the same day/service were submitted to collections and showed on my credit report which dropped it by more than 70 points.<sup>26</sup>

These breakdowns may suggest that certain healthcare providers—or their intermediaries—do not have policies and procedures to promptly claims with TRICARE.

**Frequent moves, caused by a PCS, can increase the difficulty in receiving information or resolving the matter.** As discussed in Section 2, servicemembers are often required to move every few years. Servicemembers may not receive medical bills, which are often mailed, before leaving their old duty station. By having to change duty stations, active-duty military members sometimes fail to receive hospital bills and notifications that are sent to their old address, leading to missed payments that can end up on their consumer report. For example, according to one servicemember:

[company 1] never reached out to me as they used an address I haven't lived in since 2018. Nor did the contact [hospital] who had the correct address as we had

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<sup>25</sup> Consumer Complaint 4194751, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4194751>. See also Consumer Complaint 4363454, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4363454> (“I went to the ER. I had insurance through the military Tricare prime. The visit was not billed under my insurance it was billed as though I had none. Now it's on my credit report. I've disputed it multiple times and they refuse to drop it or try to work it out.”).

<sup>26</sup> Consumer Complaint 4314209, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4314209>.

been in touch. The amount owed was reported was incorrect as I had made 3 payments and was told I was good. The amount I paid yesterday due to Tricare error was \$145.00 dollars I was told that [hospital] would have debt removed as the error was not my fault and (no [one] bothered) to communicate with me that Tricare hadn't paid the remaining balance as they previously stated they would. No one not even [hospital] who know my correct address bothered to reach out to me.<sup>27</sup>

Once a medical bill is referred to collections, servicemembers are left having to deal with the collector, the medical provider, or both. The CFPB has documented some of the troubling collection practices used by unscrupulous debt collectors and the potential ramifications for active-duty servicemembers.<sup>28</sup>

## 3.2 Reservists and National Guard face specific challenges

Almost 800,000 Americans are serving in the National Guard or Reserves.<sup>29</sup> Complaints indicate that National Guard members and Reservists also must take additional steps to ensure that their medical bills are paid on time.

National Guard members and Reservists only have access to fully government-paid healthcare benefits if they are either on federal orders for more than 30 days or have suffered a line of duty (LOD) injury.<sup>30</sup> The CFPB has heard from reservists that providers do not bill the correct entity due to the confusion that reservists are not full-time military members. Instead, they often send the bill directly to the servicemember or straight to a debt collector. For example, according to one complaint:

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<sup>27</sup> Consumer Complaint 4342163, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4342163>.

<sup>28</sup> See e.g., Consumer Fin. Prot. Bureau, *Servicemembers and debt collection: Sharing your stories* (Sep. 2017), <https://www.consumerfinance.gov/about-us/blog/servicemembers-and-debt-collection-sharing-your-stories/>.

<sup>29</sup> Dep’t of Def., *Selected Reserves by Rank/Grade* (Jan. 31, 2021) [https://dwp.dmdc.osd.mil/dwp/api/download?fileName=DRS\\_42486\\_SelRes\\_202201.pdf&groupName=resRankGrade](https://dwp.dmdc.osd.mil/dwp/api/download?fileName=DRS_42486_SelRes_202201.pdf&groupName=resRankGrade).

<sup>30</sup> National Guard members and Reservists that are not on federal orders for more than 30 days have access to only line of duty care, Transitional Assistance Management Program, or TRICARE select.

2/01/2018: Dr. Visit at [hospital]. Was told I did not owe anything because insurance (Tricare Reserve>Select) would cover.

7/24/2021: Received a credit score decrease notification through [credit reporting company] service my bank provides. Learned my score had decreased 94 points due to being turned into collection agency [company] for \$124 unpaid bill with [hospital].

7/24/2021: Called by phone [hospital] and they told me that it was for the Dr. Visit on 2/01/2018. They did not update my address and therefore had the wrong address on file. I paid the \$124.33 over the phone and have received the receipt of payment statement. I never got any phone or email notification from either the [original] creditor or the collection agency. I was not expecting a bill since they said I owe nothing because insurance would cover.<sup>31</sup>

Cycling through different insurance providers can also lead to problems when National Guard members and Reservists are called to active-duty or leave active-duty and do have private insurance. Reservists may have private insurance through their full-time jobs in the civilian sector, but once they are called to active orders for 30 days or suffer a LOD injury, TRICARE becomes the primary payer. When reservists return home after their tour or injury, there can be confusion between their health insurance company and TRICARE about who is the primary payer. Reservists complain that the provider, debt collector, and NCRCs are often poorly coordinated and unhelpful in resolving the matter.

### 3.3 Veterans also face distinct challenges

Veterans' health insurance coverage differs from that of active-duty military members.<sup>32</sup> Veterans receiving VA health care services do not pay an insurance premium; however, they

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<sup>31</sup> Consumer Complaint 4582649, <https://www.consumerfinance.gov/data-research/consumer-complaints/search/detail/4582649>.

<sup>32</sup> Veterans are covered by public and private health insurance sources. See U.S. Census Bureau, *Benefits Received by Veterans and Their Survivors: 2017* (Nov. 2021), <https://www.census.gov/content/dam/Census/library/publications/2021/demo/p70br-175.pdf> ("Nearly all veterans had health insurance in every month of 2017 (94.9 percent) with coverage through a variety of public and private health insurance sources. For example, just over one-half of veterans had private insurance. Almost two-fifths of veterans had military health care benefits."). Additionally, the Veterans Choice Program is a benefit that allows eligible veterans to receive health care from a community provider rather than waiting for a VA appointment or traveling to a VA facility.

generally have to cover co-pays.<sup>33</sup> Nonetheless, under specific circumstances, veterans do not pay any out of pocket costs.<sup>34</sup> Additionally, while the VA generally provides health care services at dedicated facilities, it may authorize care at health care providers outside of designated VA facilities if it cannot provide a necessary service and the veteran meets specific eligibility requirements.<sup>35</sup>

Many medical debt complaints from veterans derive from their receipt of care at non-VA facilities. For example, some veterans may believe non-VA care will be paid by the VA, but they later learn that the provided care does not meet the VA standards for payment. In other cases, non-VA medical providers improperly refer bills that were paid or should have been paid by the VA to third-party collections agencies.

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<sup>33</sup> See generally U.S. Dep’t. of Veterans Affairs, VA Priority Groups (last updated: Mar. 8, 2022), <https://www.va.gov/health-care/eligibility/priority-groups/>.

<sup>34</sup> For example, veterans do not pay for health services for injuries sustained on active-duty that are considered “service-connected.” Veterans with a VA disability rating of 50% or greater receive full VA health services for all medical treatment after leaving active-duty. See U.S. Dep’t. of Veterans Affairs, Service Connected Matrix, [https://benefits.va.gov/benefits/derivative\\_sc.asp](https://benefits.va.gov/benefits/derivative_sc.asp).

<sup>35</sup> U.S. Dep’t of Veterans Affairs. Community Care. (2021, June 28). <https://www.va.gov/COMMUNITYCARE/programs/veterans/index.asp>

# 4. Policy developments

## VA's new credit reporting rule

Earlier this year, the Department of Veterans Affairs (VA) took a major step towards protecting veterans and their families by announcing a change to when it will report information on outstanding medical bills to NCRCs.<sup>36</sup> Under its new rule, the VA will only report medical debt that meets all of the following standards:

1. The VA has exhausted all other debt collection efforts,
2. The VA has determined the individual responsible is not catastrophically disabled or entitled to free medical care from the VA, and
3. The outstanding debt is over \$25.

Approximately 530,000 allowable VA debts were previously reported annually.<sup>37</sup> But with these changes, the VA estimates there will be a 99% reduction of unfavorable debt that it reports to NCRCs.

The VA's actions set a clear and important precedent for the health care industry. These actions will improve the lives of millions of veterans and will largely eliminate coercive credit reporting of medical bills as a debt collection technique for veterans.

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<sup>36</sup> See Press Release, Veterans Affairs, *VA establishes new threshold for reporting benefit and medical debt* (Feb. 2022), <https://www.va.gov/opa/pressrel/pressrelease.cfm?id=5758> [hereinafter VA Press Release]. See also Consumer Fin. Prot. Bureau, New VA rule relieves financial distress for thousands of veterans with medical bills (Feb. 2022), <https://www.consumerfinance.gov/about-us/blog/new-va-rule-relieves-financial-distress-for-thousands-of-veterans-with-medical-bills/>. See generally Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020, Pub. L. No. 116-315 and Threshold for Reporting VA Debts to Consumer Reporting Agencies, 87 Fed. Reg. 5693 (Feb. 2, 2022) (to be codified at 39 CFR § 1.916)

<sup>37</sup> See VA Press Release supra note 36.

## Credit reporting announcement

In March 2022, Equifax, Experian, and TransUnion announced joint measures that would, according to the announcement, result in nearly 70 percent of paid medical debt tradelines being removed from consumers' reports.<sup>38</sup> This announcement had three major components:

1. Paid medical bills would no longer be reported on credit reports, as of July 2022;
2. Unpaid medical bills would need to be at least one year old, twice the current standard of six months, before reporting; and
3. Starting in the first half of 2023, Equifax, Experian, and TransUnion will no longer include medical collection debt under \$500 on consumers' reports.

The CFPB will continue to review this announcement to determine what impact these changes will have on servicemembers.

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<sup>38</sup> See Press Release, Equifax, *Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting* (Mar. 18, 2022), <https://investor.equifax.com/news-events/press-releases/detail/1222/equifax-experian-and-transunion-support-u-s-consumers>. See also Press Release, Experian, *Experian, Equifax, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting* (Mar. 18, 2022), <https://www.experianplc.com/media/latest-news/2022/equifax-experian-and-transunion-support-us-consumers-with-changes-to-medical-collection-debt-reporting/>; Press Release, TransUnion, *Equifax, Experian, and TransUnion Support U.S. Consumers With Changes to Medical Collection Debt Reporting* (Mar. 18, 2022), <https://newsroom.transunion.com/equifax-experian-and-transunion-support-us-consumers-with-changes-to-medical-collection-debt-reporting/>.

# 5. Recommendations

Consistent with the findings above, the CFPB offers the following recommendations:

**More robust data is needed about the scope and impact of medical debt on servicemembers.** Perhaps due to a perception that servicemembers do not face challenges with medical debt, there is a lack of available data about the problem. These complaints raise significant concerns that medical debt is having an underappreciated and understudied effect on servicemember's financial health, which in turn can affect military readiness.

**Medical providers and third-party billing companies should have adequate systems in place to serve servicemembers (including those in the reserves and National Guard), retirees, veterans, and their families.** Complaints suggest that billing issues often occur when providers or third-party billing companies fail to work with TRICARE to get paid for the services they provided. The same issues can occur when providers or third-party billing companies fail to work with the Veterans Choice Program (VCP) for services provided to veterans. As the CFPB has noted in other contexts, collecting debts that are not actually owed can violate the Fair Debt Collection Practices Act, and furnishing information about debts that are not owed can violate the Fair Credit Reporting Act.<sup>39</sup>

**NCRCs should ensure servicemembers, veterans, and their families receive adequate responses to their complaints.** Federal law requires the NCRCs to conduct a review of certain complaints sent to them by the CFPB and to report their determinations and actions to the CFPB. The failure of NCRCs to timely and accurately respond to complaints takes a particular toll on military families. The CFPB will also use its authorities to meet its statutory objectives and to ensure that consumers receive sufficient responses to their complaints.

**Medical providers, as well as the NCRCs, should consider emulating recent changes by the VA.** The VA's new rule is a positive step, but complaints indicate that military families are still facing harm from medical billing and collection in other contexts. The VA's changes may be a good model for others serving servicemembers. These changes include

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<sup>39</sup> See generally Consumer Fin. Prot. Bureau, *Bulletin 2022-01: Medical Debt Collection and Consumer Reporting Requirements in Connection with the No Surprises Act* (Feb. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_bulletin-2022-01\\_no-surprises-act\\_2022-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_bulletin-2022-01_no-surprises-act_2022-01.pdf).

exhausting all other collection efforts and reviewing consumers' ability to repay before reporting a medical debt as unpaid and delaying the inclusion of servicemembers' debt on consumer credit reports for a period of time.