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Testimony in Favor of LD 2174 An Act to Protect Consumers from Predatory Medical Credit Card Providers

Greetings Senator Bailey, Representative Perry and members of the Committee on Health Coverage, Insurance and Financial Services. My name is Laura Russo and I am a Communications and Advocacy intern with AARP Maine.

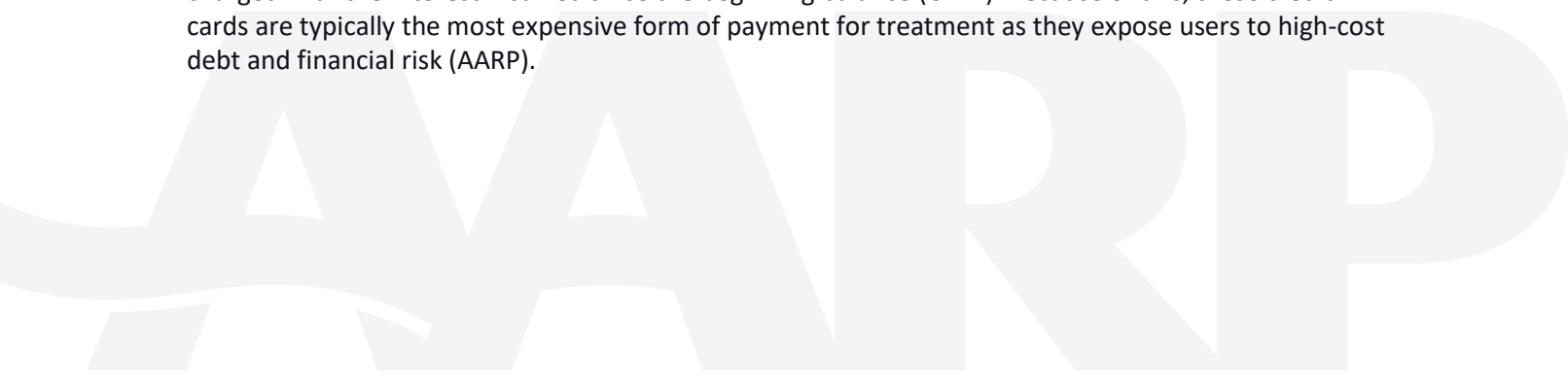
AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. On behalf of our nearly 200,000 members statewide, thank you for the opportunity to share testimony. Today, we are providing testimony in support of LD 2174 An Act to Protect Consumers from Predatory Medical Credit Card Providers.

As Maine residents struggle to pay for everyday expenses in a period of high inflation, fewer funds are set aside for emergency healthcare. Findings from a 2022 survey showed that almost half of adults would be unable to pay an unexpected medical bill over \$500 without borrowing funds (KFF). When an emergency medical cost is incurred, many people turn to medical credit cards as a viable option for financing debt. Medical credit cards offer consumers a convenient payment method for paying medical bills and are widely available in hospitals and doctors' offices.

Financial institutions often market medical credit cards through health providers, claiming they reduce costs, increase profit, and lower administrative burdens (AARP). Such claims motivate healthcare providers to push them onto consumers. This is particularly concerning because consumers often evaluate medical payment options amid a pressing health issue—a time when they likely are more vulnerable to poor financial decision-making (CFPB).

Initially created for elective care procedures not covered by traditional insurance, medical credit cards were not intended for widespread use (AARP). Yet, today people commonly reach for them to cover a range of medical expenses, from primary care to emergency room services (AARP). The [Consumer Financial Protection Bureau](#) (CFPB) reports that medical credit card use is on the rise, with the number of cardholders almost tripling in the last decade.

These cards often include deferred interest, a feature that gives consumers an allotted discount period typically between six to eighteen months to pay off the entirety of their medical bill without any accumulated interest (CFPB). Individuals who can't pay the balance owed within this timeframe are charged with the interest incurred since the beginning balance (CFPB). Because of this, these credit cards are typically the most expensive form of payment for treatment as they expose users to high-cost debt and financial risk (AARP).



According to the Consumer Financial Protection Bureau, consumers used credit cards with deferred interest plans to pay for nearly \$23 billion in healthcare expenses from 2018 to 2020, incurring \$1 billion in deferred interest payments (CFPB). Financial institutions use consumer credit scores to set annual percentage rates for medical credit cards, causing individuals with poor credit to face much larger financial risks. CFPB analysis found the average APR of a typical medical credit card is a staggering 27 percent, while consumers with a credit score of under 619 incur up to 34 percent.

LD 2174 rightly prohibits healthcare providers from offering medical credit cards containing deferred interest provisions to consumers. It will ensure that the costs of health care services will not be charged to a medical credit card prior to a patient receiving care.

Additionally, LD 2174 requires healthcare providers to screen consumers for eligibility for charity care before accepting payment via medical credit card, a measure to be sure that individuals who need financial assistance receive appropriate support. Furthermore, the inclusion of medical credit card debt under the Maine Fair Debt Collection Practices Act demonstrates a commitment to protecting consumers from abusive debt collection practices. This provision serves as an important safeguard against harassment and ensures that consumers are treated fairly in the debt collection process.

LD 2174 is vital to protecting the financial stability of individuals seeking healthcare services in Maine. By enacting these provisions, the state can promote financial transparency, accountability, and fairness in healthcare billing practices, ultimately enhancing access to quality care for all Maine residents. I urge you to vote in support of LD 2174 for the benefit of consumers and the healthcare system in Maine.

Thank you for considering my testimony in support of this important legislation. I urge you to support LD 2174 for the benefit of consumers and the healthcare system in Maine.

Laura Russo
AARP Maine

Sources:

[Medical Credit Cards and Financial Plans: Search:](#) (Consumer Financial Protection Bureau):
<https://blog.aarp.org/thinking-policy/medical-credit-cards-potential-debt-trap>
<https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>

