



Health Care Credit Cards

From the Office of Minnesota Attorney General Lori Swanson

Citizens are struggling with the high cost of health care and gaps in insurance coverage, and many national lenders have begun to market health care credit cards as a way for people to pay for their medical bills. These credit cards 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 Lori Swanson offers these guidelines to citizens to avoid the pitfalls of health care credit cards.

Some clinics 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 GE Money Bank, JP

Morgan Chase, CitiGroup, and Capital One. Across the country, health care companies like UnitedHealth Group and Humana have also gotten into the mix by offering credit cards.

Many lenders 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.

Some patients report that they were not aware they were taking out a health care credit card, but instead thought they were simply obtaining a payment plan from their clinic. Beware that any time you take out credit, it can affect your credit score. A credit card is a serious obligation and, if you do not pay it back according to the terms of the credit card, your credit history can be soured. This can affect multiple other 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. Out-of-pocket spending on healthcare grew in 2014 to \$329.9 billion. Overall health spending is projected to continue to grow at an average rate of almost 6 percent per year. 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:

Office of Minnesota Attorney General

Lori Swanson

445 Minnesota Street, Suite 1400

St. Paul, MN 55101

(651) 296-3353 or (800) 657-3787

TTY: (651) 297-7206 or (800) 366-4812

www.ag.state.mn.us