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# An Overview of Medical Debt: Collection, Credit Reporting, and Related Policy Issues

Medical debt is a fairly common occurrence for Americans who have received medical care. This In Focus discusses medical debt; how that debt is collected and reported to credit reporting agencies (also called *credit bureaus*); and proposals to change those practices from industry, some Members of Congress, and the Consumer Financial Protection Bureau (CFPB).

## Medical Debt Overview

According to the CFPB, consumers owed \$88 billion in medical debt on consumer credit reports as of June 2021. In 2017, a Census Bureau survey found that 19% of people reported having medical bills they could not fully repay during the year. Uninsured, Black, and Hispanic Americans are more likely to have medical debt.

Unlike most consumer debts, the need for medical care for an acute illness can often be unexpected and not discretionary. According to a 2014 CFPB study, consumers are unlikely to know how much various medical services cost in advance, particularly those associated with accidents and emergencies. Moreover, resolving billing disputes with health insurance companies can be a complicated, lengthy, and often non-transparent process. Whether these debts should be included on credit reports is an area of active debate and action from industry, regulators, and Congress.

In 2022, the three major credit bureaus took voluntary action to eliminate an estimated 70% of outstanding medical debt from credit reports. In June 2024, the CFPB finalized a rule to eliminate all medical debt from most credit reports and ban lenders from using medical debt collection information to make underwriting decisions. However, in July 2025, a judge overturned this rule, as discussed in more detail below.

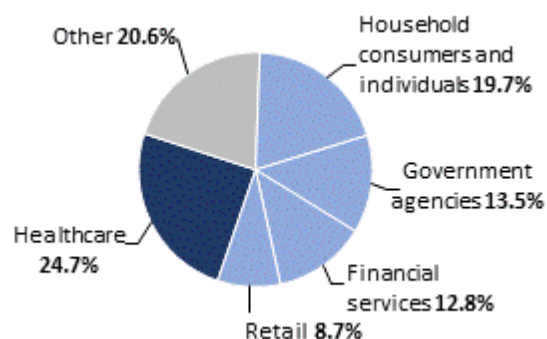
## Debt Collection Market Background

When consumers default on medical debts, medical providers often hire third parties to collect those debts. Debt collectors help medical providers recoup their losses when patients default. IBISWorld, a market research company, estimates that roughly a fourth of debt collection industry revenue in 2023 was from health care debt (see **Figure 1**).

The Fair Debt Collection Practices Act (FDCPA, 15 U.S.C. §§1692-1692p) is the primary federal statute regulating the consumer debt collection market. It is implemented by the CFPB. The FDCPA generally applies only to third-party debt collectors, not medical providers. The law prohibits debt collectors from engaging in certain types of conduct (such as misrepresentation or harassment) when seeking to collect debts from consumers and grants consumers the right to dispute or stop some communications about alleged

debt. It also requires that a debt collector send to a consumer a validation notice disclosing certain information about the debt.

**Figure 1. Debt Collection Industry Revenue by Type**



**Source:** IBISWorld's 2025 Industry Revenue Estimate.

## Medical Debt and Credit Reporting

Credit bureaus collect and subsequently provide information to firms about consumer credit and payment behavior. Firms use this credit report information to screen for consumer risks in originating new loans. Generally, debts in collection could be reported to credit bureaus and appear on consumers' credit reports. However, debt collectors report to credit bureaus voluntarily, so not all debts are reported. Entities that provide information to credit bureaus must comply with the Fair Credit Reporting Act (FCRA, 15 U.S.C. §1681), the main statute regulating credit reporting. The FCRA imposes certain responsibilities on those who collect, furnish, and use consumers' credit reports, as well as consumer rights.

According to the CFPB, in 2021, medical debts constituted 58% of debts reported in collection. Medical debts reported to the credit bureaus tend to be for relatively small amounts and may be more likely to be reported than other types of debts. Most medical debts reported were previously under \$500.

## Recent Policy and Market Developments

In January 2022, the No Surprises Act, part of the Consolidated Appropriations Act, 2021 (P.L. 116-260), went into effect to address surprise medical bills—for example, out-of-network emergency bills. After this law went into effect, the CFPB released a bulletin stating that if debt collectors report or try to collect debts barred by the No Surprises Act, they may violate the FCRA or FDCPA. A number of state and local governments used funds from the American Rescue Plan Act of 2021 (P.L. 117-2) to

cancel roughly \$7 billion in medical debt for up to 3 million Americans.

In March 2022, the three nationwide credit bureaus—Experian, Equifax, and TransUnion—jointly announced that paid medical debts, medical debts less than a year old, and medical debt under \$500 would no longer be included on consumers’ credit reports. The CFPB estimated that roughly half of consumers with medical debt on their credit reports would have it removed after this change. In January 2025, the CFPB finalized a rule that would have removed medical debt from credit reports and prohibited lenders from making credit decisions based on medical debt. This rule would have gone beyond industries’ voluntary efforts to exclude only certain kinds of medical debt and was set to go into effect March 2025. The rule was challenged by a lawsuit shortly after it was finalized, and new CFPB leadership asked the court to vacate this finalized rule, which the court did in July 2025.

Overall, the CFPB estimates that this finalized rule would have erased \$49 billion in outstanding medical bills from credit reports and scores for 15 million Americans. These borrowers would still have owed this debt to their creditors. The CFPB argued that the voluntary changes by the credit bureaus did not result in sufficient changes for consumers with medical debt and projected that credit scores for consumers with medical debt would rise an average of 20 points, which could potentially increase access to credit for those consumers.

In its justification for this rule, the CFPB argued that the medical debt in credit reports is often inaccurate or inflated. According to the CFPB, approximately 15% of debt collection complaints received by the agency in 2021 were related to medical debt collection. Disputes with health insurance or providers over bills might take time to resolve and, as a result, some would argue that their inclusion in the interim unnecessarily lowers credit scores. Supporters of the rule argued that it would benefit consumers “unfairly burdened by medical debt on their credit reports.”

To justify excluding medical debt from credit reports, the CFPB relied upon a 2014 CFPB study that stated that medical collections were “not equally predictive of delinquency” as non-medical collections. The CFPB later interpreted this result to subsequently argue that medical debts have “little to no predictive value.” This interpretation of the original research has been disputed, with the American Bankers Association pointing out that this difference was driven by consumers with more paid than unpaid bills, while consumers’ credit scores with more unpaid bills than paid bills looked facially similar to those without medical debt. Paid medical bills are already being excluded by the credit bureaus’ previous voluntary actions. Other industry participants argued that the CFPB study was out of date, limited in scope, and not peer reviewed.

Opponents of the rule said that banning medical debts from credit reports could have unintended negative consequences on consumers. While medical debt would no longer have shown up on credit reports, these consumers would still

have owed this debt. This might have resulted in a higher likelihood of costly litigation against individual consumers.

Some argued that as a result of increased nonpayment, health care providers would impose even higher copayments and deductibles to compensate for the resulting decreased revenue. One estimate from an ACA International report—a debt collection industry group—found that medical providers would have suffered a loss of \$24 billion from nonpayment in the first year, which would have disproportionately harmed smaller and rural providers. The report also stated that debt collectors were estimated to lose 8% of their annual revenue as a result of the rule.

Fair Isaac Corporation (FICO)—a firm that provides support services to credit bureaus and credit reports/scores to financial firms—previously stated that eliminating all medical debt from credit scores can “have an adverse impact on score predictiveness.” As a result, this change could have increased the cost of and decreased access to credit by eliminating visibility into all medical debt repayment. This may be particularly important relative to the voluntary actions by credit bureaus that excluded components that might increase data noise, such as small, new, or paid collections.

In January 2025, Cornerstone Credit Union League and the Consumer Data Industry Association sued the CFPB, arguing that the rule exceeded the CFPB’s statutory authority under the FCRA and was “arbitrary and capricious on multiple levels.” Shortly after this lawsuit was filed and the rule finalized, President Trump designated Russell Vought, director of the Office of Management and Budget, as acting CFPB director. In February 2025, the court granted a motion from the CFPB that stayed the rule until June 2025. In April 2025, the CFPB and the plaintiffs jointly asked the court to vacate the medical debt rule. In July 2025, a judge agreed to this joint motion and vacated the rule. In his opinion, the judge found that the rule exceeded CFPB authority under the FCRA.

At the state level, as of June 2025, 11 states have enacted laws that restrict or ban medical debt credit reporting.

## Selected Legislation

In response to the finalized rule, some Members of the 119<sup>th</sup> Congress introduced bicameral Congressional Review Act legislation to overturn the medical debt rule: S.J.Res. 36 and H.J.Res. 74.

In the 118<sup>th</sup> Congress, legislation was introduced that would have provided additional transparency for medical bills (S. 2483), would have forgiven medical debt (S. 4289, H.Res. 532, and H.R. 9129), or would have made changes to the medical debt collection process and/or the incorporation of medical debt into credit reports (H.R. 1773, H.R. 5180, H.R. 6003/S. 3103, H.R. 7515).

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