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# FACT SHEET: Vice President Harris Announces Final Rule Removing Medical Debt from All Credit Reports

*Today's final rule will remove \$49 billion in unpaid medical bills from the credit reports of 15 million Americans. In addition, the Vice President is announcing that States and Localities have already Eliminated Over \$1 Billion in Medical Debt Thanks to Biden-Harris Administration Support*

**Today, Vice President Harris announced a final rule by the Consumer Financial Protection Bureau to remove medical debt from consumer credit reports. This rule will reduce the burden of medical debt and ensure that patients are not denied access to credit for home mortgages, car loans, or small business loans due to unpaid medical bills.**

Further, Vice President Harris announced that states and localities have leveraged American Rescue Plan (ARP) funds to support the elimination of over \$1 billion in medical debt for more than 700,000 Americans. These actions build on the Vice President's call to action for states to reduce the burden of medical debt, including by directly purchasing the debt from providers and third parties. Overall, jurisdictions are on track to eliminate roughly \$15 billion in medical debt for up to nearly 6 million Americans.

"No one should be denied economic opportunity because they got sick or experienced a medical emergency. That is why President Biden and I cancelled over \$1 billion in medical debt – part of our overall plan to forgive \$7 billion by 2026 – with support from our American Rescue Plan, legislation that I advanced with my tie-breaking vote in the Senate. We also reduced the burden of medical debt by increasing pathways to forgiveness and cracking down on predatory debt collection tactics," **said Vice President Harris**. "Today, we are building on this meaningful work by announcing an unprecedented final rule that will make it so medical debt is no longer included in your credit score. This will be lifechanging for millions of families, making it easier for them to be approved for a car loan, a home loan, or a small-business loan. As someone who has spent my entire career fighting to protect consumers and lower medical bills, I know that our historic rule will help more Americans save money, build wealth, and thrive."

More than 100 million Americans struggle with medical debt. Medical debt is the largest source of debt in collections, making up a larger proportion of debt tradelines than credit cards, utilities, and auto loans. However, medical debt is not like other forms of debt because it is often the result of unavoidable medical complications and medical bills often contain significant errors, such as inflated or duplicative charges and fees for services never received or already paid. Reducing the burden of medical debt has been a key priority in President Biden and Vice President Harris's effort to lower cost for American families.

## Removing Medical Debt from Consumer Credit Reports

The CFPB is finalizing a rule that will remove medical debt from the credit reports of more than 15 million Americans, raising their credit scores by an estimated average of 20 points and leading to the approval of approximately 22,000 additional mortgages every year. Under the CFPB rule, there will be zero Americans with medical debt listed on their credit reports, down from 46 million in 2020. CFPB's research indicates that medical bills are [poor predictors](#) of an individual's ability to repay a loan and that medical bills are often [confusing and erroneous](#). In March 2022, the CFPB released a [report](#) estimating that medical bills made up \$88 billion of reported debts on credit reports. After the March 2022 report, the three largest credit reporting agencies announced that they would no longer include paid medical debts, unpaid medical debts less than a year old, and medical debt under \$500 from credit reporting. Despite these voluntary changes, [15 million Americans](#) still have \$49 billion in outstanding medical bills in collections appearing in the credit reporting system. Today's action will remove these outstanding \$49 billion in unpaid medical bills from the credit reports of the remaining 15 million impacted Americans.

## Vice President Harris's Call to Action, Leveraging Federal Funds to Eliminate Medical Debt

In June 2024, Vice President Harris [called on states, local governments, and health care providers to take action](#) to reduce the burden of medical debt. States and localities have responded to this call by directly relieving debt and launching innovative programs to improve their health systems. Thanks to the President Biden and Vice President Harris's American Rescue Plan, states, counties, and cities have already eliminated more than an estimated \$1 billion in medical debt for over 750,000 Americans, including:

- Cook County, Illinois has eliminated over \$382 million in medical debt for over 210,000 residents.
- New Jersey has eliminated \$220 million in medical debt for over 120,000 residents.
- Cleveland, Ohio has eliminated nearly \$137 million in medical debt for over 130,000 residents.
- Toledo and Lucas County, Ohio partnered to eliminate over \$87 million in medical debt for over 140,000 residents.
- New Orleans, Louisiana has eliminated nearly \$70 million in medical debt for 75,000 residents.
- St. Paul, Minnesota has eliminated \$40 million in medical debt for over 30,000 residents.
- Washington, DC has eliminated \$42 million in medical debt for over 60,000 residents.
- Connecticut has eliminated \$30 million in medical debt for 23,000 residents.
- Wayne County, Michigan has eliminated \$27 million in medical debt for more than 46,000 residents.
- Oakland County, Michigan has eliminated \$9 million in medical debt for more than 14,000 residents.

These and other jurisdictions are on track to eliminate an estimated up to \$7 billion in medical debt for nearly 3 million Americans by the end of 2026 thanks to ARP-supported efforts.

In addition to directly relieving debt, states and localities have responded to Vice President Harris's call by launching innovative programs to improve their health systems. For instance, North Carolina [recently announced](#) that all of the state's 99 eligible hospitals have committed to participate in medical debt relief program that will eliminate up to \$4 billion in existing medical debt for nearly 2 million low- and middle-income North Carolinians. The program also ensures that hospitals have policies in place to reduce the chance individuals will end up in debt in the first place. North Carolina's program utilizes a novel approach, where hospital systems become eligible for enhanced Medicaid reimbursements under the State Directed Payments Healthcare Access and Stabilization Program by implementing policies that:

- Relieve all medical debt deemed uncollectible dating back to Jan. 1, 2014, for any individuals not enrolled in Medicaid with incomes at or below at least 350% of the federal poverty level (FPL) or for whom total debt exceeds 5% of annual income.
- Relieve all unpaid medical debt dating back to Jan. 1, 2014, for individuals who are enrolled in Medicaid.
- Sets a charity care floor in the state that provides discounts on medical bills of between 50-100% for patients with incomes at or below 300% FPL, with the amount of the discount varying based on the patient's income.
- Automatically enroll people into financial assistance, known as charity care, by implementing a policy for presumptively determining individuals eligible for financial assistance through a streamlined screening and income validation approach.
- Not sell any medical debt for consumers with incomes at or below 300% FPL to debt collectors.
- Not report a patient's debt covered by these policies to a credit reporting agency.

## Preventing the Accumulation of Medical Debt Through Increased Oversight

Today's announcements build on efforts by the Biden-Harris Administration to reduce the burden of medical debt, including:

- The Internal Revenue Service [announced](#) new steps to ensure that non-profit hospitals provide free and reduced-price care for patients that need it, as is required by law. This includes [issuing new guidance](#) in the coming months to clarify the obligations of tax-exempt hospitals to offer and publicize financial assistance policies and [committing to prioritizing enforcement actions](#) against tax-exempt hospitals that violate these responsibilities.
- The CFPB issued an [Advisory Opinion](#) and [Consumer Advisory](#) clarifying the responsibilities of debt collectors to confirm that debts are accurate, valid, and substantiated before engaging in collection actions and explaining to consumers what actions they can take when they suspect that they have been improperly billed or if they have had improper or illegal collection actions taken against them.
- The Department of Veterans Affairs (VA) implemented a [streamlined process](#) to make it easier and faster for lower-income veterans to get their VA medical debt forgiven, already providing relief to over 10,000 veterans and saved them more than \$10 million in copay debt.
- The Department of Defense has proposed a rule aimed at providing financial relief for civilians receiving medical care at military medical treatment facilities (MTFs). If finalized as proposed, this rule would implement fee reductions through a sliding scale discount program as well as catastrophic cap waivers. Through these measures, the DoD aims to significantly reduce the financial burden on patients while maintaining high-quality care.
- The Federal Housing Finance Agency (FHFA) [validated and approved](#) the use of VantageScore 4.0, along with FICO 10T, for the underwriting of mortgages by Fannie Mae and Freddie Mac, marking the first time that a credit score that excludes medical debt has been approved for mortgage underwriting of Enterprise loans.
- The Small Business Administration (SBA) is taking steps to reduce the role of medical debt in the underwriting of loans for its flagship 7(a) guaranteed loan program, including revising its lender Standard Operating Procedures and Lender Match tool to discourage consideration of medical debt.
- The White House Office of Management and Budget (OMB) issued memorandum [M-22-17](#) to direct agencies to reduce the impact of medical debt in the underwriting of Federal credit programs, helping to spur the actions by VA, FHFA, and SBA listed above.
- The Consumer Financial Protection Bureau (CFPB), the Department of Health and Human Services (HHS), and the Department of the Treasury [issued a joint request for information](#) seeking comment on the prevalence, nature, and impact of medical payment products.
- CMS and CFPB issued guidance clarifying protections against inappropriate patient billing and costs for the approximately 8 million low-income Medicare beneficiaries who are enrolled in the Qualified Medicare Beneficiary program.
- The Departments of Health and Human Services, Labor, and Treasury have prioritized implementing [surprise billing protections](#), preventing 1 million surprise medical bills every single month.
- As a part of the Inflation Reduction Act, President Biden [capped the cost of insulin at \\$35](#) for a month's supply of each covered insulin and capped out-of-pocket prescription drug costs at \$2,000 in 2025 for seniors and others with Medicare. Thanks to the \$3500 cap, nearly 1.5 million Medicare enrollees saved nearly \$1 billion on prescription drugs in just the first half of 2024. Since taking these actions, President Biden has called on Congress [to expand the cap on out-of-pocket prescription drug costs](#) to cover all Americans.
- President Biden has [called on states](#) to close the Medicaid coverage gap and create new pathways to health coverage by expanding Medicaid under the Affordable Care Act.
- Secretary Becerra directed HHS to evaluate how providers' billing practices impact access and affordability of care and the accrual of medical debt. HHS, CFPB, and the Treasury Department requested information and data on medical bill collection practices, lawsuits against patients, financial assistance, financial product offerings, and 3rd party contracting or debt buying practices. HHS, for the first time, considered weighing this information in their funding decisions.
- The CFPB and the Centers for Medicare & Medicaid Services (CMS) issued a joint letter affirming that nursing homes that participate in Medicare and Medicaid are prohibited from forcing a resident's family or friends to assume responsibility for the cost of care as a condition of admission or continued stay in the facility.
- HHS is collecting evidence and data to inform future actions by adding new questions on medical debt to Medicare Current Beneficiary Survey and Medical Expenditure Panel Survey, two of the most important sources of data on health care in the United States.
- HHS released a set of [frequently asked questions](#) clarifying that hospitals have the ability to provide relief to uninsured and underinsured patients who cannot afford their hospital bills and to Medicare beneficiaries who cannot afford their Medicare cost.
- The Biden-Harris Administration [issued](#) a final rule that protects consumers from junk health insurance and makes sure Americans aren't scammed into low-quality coverage that leaves consumers on the hook for thousands of dollars in medical bills.
- CMS is [soliciting comment](#) on how hospital-based personnel who help consumers enroll in Marketplace coverage could connect consumers to hospital financial assistance programs designed to reduce medical debt.
- The White House [convened state and local leaders](#) to discuss initiatives to further lower health care costs and reduce the burden of medical debt, including addressing medical payment products, unfair debt collection practices, surprise billing and facility fees, and charity care.