United States Government Accountability Office

Report to Congressional Requesters

June 2014

CONSUMER FINANCE

Credit Cards Designed for Medical Services Not Covered by Insurance

GAO-14-570

GAO Highlights

Highlights of GAO-14-570, a report to congressional requesters

Why GAO Did This Study

Medical credit cards and related products (such as installment loans) are offered by financial institutions through participating providers to pay for services not covered by health insurance, such as dental and cosmetic procedures, or for veterinary care. Medical credit cards received increased attention after enforcement actions in 2013 against GE Capital Retail Bank in relation to its CareCredit product.

GAO was asked to review the marketplace for medical credit cards and related products. This report describes the participants and products in this marketplace. To address these objectives, GAO conducted a literature review and reviewed websites, product terms and conditions, and other publicly available information. GAO also interviewed staff of, and collected documents from, CFPB, 14 card companies representing a mix of size and type, and organizations that represented participating providers, financial institutions, and consumer interests and were familiar with the medical credit card marketplace. GAO also reviewed settlement agreements between CareCredit and CFPB and the New York Attorney General.

What GAO Recommends

GAO makes no recommendations in this report.

View GAO-14-570. For more information, contact Cindy Brown Barnes at (202) 512-8678 or brownbarnesc@gao.gov.

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Credit Cards Designed for Medical Services Not Covered by Insurance

What GAO Found

Multiple entities offer medical credit cards, but according to market participants with whom GAO spoke, CareCredit LLC issues the majority of medical credit cards. In 2013, the company reported 4.4 million cardholders and 177,000 participating providers in its network, the majority of which were dental offices. Several other financial institutions also issue medical credit cards, usually offering their own branded product, but sometimes providing financing for retail networks or third-party companies that offer and market cards under their own names (see table). The marketplace for financing services not covered by health insurance also includes companies that assist providers in offering their own payment plans and websites that largely serve a marketing function by directing consumers to others' products. In 2013, GE Capital Retail Bank and its affiliate CareCredit entered into separate agreements with the New York Attorney General and the Bureau of Consumer Financial Protection (known as CFPB), which had alleged deceptive card enrollment processes, including failure to provide disclosures and inaccurate information given by participating providers to consumers. Both settlements required CareCredit to make several changes to its practices, such as enhancing consumer disclosures.

Participants in the Market for Medical Credit Cards and Related Products

Role	Examples	Description
Card issuers	CareCredit Citibank Wells Fargo Comenity	Financial institutions that issue medical credit cards, financing the loan and managing the account.
Aggregators	Springstone American HealthCare Lending	Companies that offer co-branded card or installment loans, often marketed through participating providers. Partner with issuer that finances and services the loans.
Participating providers	Individual dental, veterinary, or chiropractic offices	Providers that offer their clients a card branded under the card issuer's or aggregator's name.
Retail networks	Ideal Image American Laser Skincare	Networks or chains of participating providers that offer their clients an issuer's card branded under the network's or chain's company name.

Source: GAO. | GAO-14-570

Medical credit cards from large banks offer a revolving line of credit with an established credit limit—akin to a conventional credit card—with some form of promotional financing (special terms and conditions, which are valid for a specified period of time). The most commonly used financing option is deferred interest, with no interest charged for a promotional period but interest charged retroactively if the balance is not paid in full before the end of the promotional period, usually 6 to 24 months. Among large banks GAO reviewed, as of May 2014, the most commonly used products had an annual percentage rate (APR) of 26.99 percent or more. Alternatively, these banks also offered revolving credit with fixed monthly payments, with an APR of 0 to 17.99 percent. Installment loans or products targeted at consumers with poor credit histories were offered by certain other market participants.

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Abbreviations

APR	annual percentage rate
CFPB	Bureau of Consumer Financial Protection
FTC	Federal Trade Commission

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

June 19, 2014

Congressional Requesters

More than 4 million consumers use medical credit cards and related products, including medical installment loans and lines of credit, to pay for procedures that health insurance generally does not cover, such as dental, hair removal, and cosmetic procedures, or for veterinary care. Although consumers may have other options to pay for these procedures—including conventional credit cards or setting up payments through their doctor's office—some choose to use medical credit cards to take advantage of promotional offers, keep credit available on other cards, or because they do not have advantageous financing alternatives. Financial institutions offer medical credit cards through participating providers to consumers (patients).[1] Medical credit cards received increased attention after enforcement actions in 2013 by the New York Attorney General and the Bureau of Consumer Financial Protection (known as CFPB) that led to settlement agreements with GE Capital Retail Bank and its affiliate CareCredit LLC in relation to the CareCredit medical credit card.

You asked us to review the marketplace for third-party consumer financial products used to cover procedures not typically covered by health insurance—products this report refers to collectively as medical credit cards. The objectives of this report are to describe the (1) participants and (2) products in the marketplace for medical credit cards. To address these objectives, we conducted a literature review, and reviewed websites, public filings, product terms and conditions, and information provided to us by card companies. We interviewed or corresponded with representatives of CFPB and the Federal Trade Commission (FTC); 14 card companies selected because they represented a mix of size and type; a trade organization representing financial services companies; and

[1]For the purposes of this report, we use "medical credit cards" to refer collectively to financial products—including revolving credit lines and installment loans—that are designed specifically to finance health care services not covered by health insurance. They may or may not involve the issuance of a plastic card associated with the extension of credit. We use "card companies" to refer to companies that provide these financial products, and we use "participating providers" to refer to the providers or offices of health care, veterinary, or other services that make these products available to their patients or clients.

selected organizations that represent health care providers or consumer interests and are familiar with the medical card marketplace. In addition, we conducted two group interviews, coordinated by the National Association of Attorneys General, that together included staff from the office of the attorney general of nine states, and spoke separately with the Minnesota Office of the Attorney General. A more extensive discussion of our scope and methodology appears in appendix I.

We conducted this performance audit from July 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Medical credit cards are private-label credit cards that may be used across a network of participating providers (such as dental offices or veterinary clinics) that have contractual relationships with the card company.[2] Consumers typically learn about medical credit cards, or related products such as installment loans, from participating providers, who give information about the product and the available financing options. Consumers often can apply immediately at the provider’s office, sometimes with the assistance of the office staff, either online, by telephone, or using a printed application. The card company determines eligibility and, if the application is approved and an account is opened, is required to provide the consumer with the account-opening disclosures with the full terms and conditions, including fees, percentage rates, and rate terms. Once enrolled, consumers generally interact with the card company—rather than the participating provider—regarding use of the card, and they direct their payments to the card company.

Medical credit cards can be used to pay for elective (planned, nonemergency) services, such as dental and orthodontic procedures, eye correction surgery, audiology care, cosmetic procedures, and hair removal or restoration, as well as for veterinary services. Some medical

[2]Private-label credit cards are used primarily to buy goods and services only within specified retail or provider networks.

credit cards also may be used to pay for insurance copayments and deductibles or to finance medical care for people who do not have health insurance. The products generally are subject to the same state and federal statutory provisions as other lending products, which under federal law include but are not limited to the following:

- *Truth in Lending Act* and its implementing Regulation Z, which requires certain disclosures about a card's terms and cost.[3] The Credit Card Accountability Responsibility and Disclosure Act of 2009 amended the Truth in Lending Act to require certain disclosures about rates and fees on credit cards and prohibit certain practices (such as raising the rate on an existing balance).[4]

- *Federal Trade Commission Act*, which prohibits unfair or deceptive acts or practices.[5]

- *Consumer Financial Protection Act of 2010*, which prohibits unfair, deceptive, or abusive acts or practices by providers of consumer financial products or services and authorizes CFPB to take enforcement actions to prevent providers of consumer financial products or services from engaging in unfair, deceptive, or abusive acts or practices in connection with transactions with consumers involving consumer financial products or services.[6]

- *Fair Credit Reporting Act*, which generally prohibits creditors from obtaining and using medical information in connection with determining eligibility for credit.[7] However, Regulation FF allows creditors to use medical information "[t]o determine, at the consumer's request whether the consumer qualifies for a legally permissible

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[3]Pub. L. No. 90-321, tit. I, 82 Stat. 146 (1968) (codified as amended at 15 U.S.C. §§ 1601-1667f); 12 C.F.R. pt. 1026.

[4]Pub. L. No. 111-24, § 101, 123 Stat. 1734, 1736 (codified at 15 U.S.C. § 1666i-1).

[5]Pub. L. No. 63-203, § 5, 38 Stat. 717, 719 (codified at 15 U.S.C. § 45).

[6]Pub. L. No. 111-203, §§ 1031 and 1036, 124 Stat. 1376, 2005 and 2010 (codified at 12 U.S.C. §§ 5531 and 5536).

[7]Pub. L. No. 91-508, § 604, 84 Stat. 1114, 1129 (codified as amended at 15 U.S.C. § 1681b(g)(2)).

special credit program or credit-related assistance program" that meets certain requirements.[8]

CFPB has primary supervisory authority for consumer financial protection laws at large banks and certain nondepository entities. Smaller banks (those with assets of $10 billion or less) are supervised by the federal banking regulators.[9] CFPB has enforcement authority for violations of federal consumer financial laws, including violations of the Consumer Financial Protection Act of 2010 and the consumer financial protection laws, and rulemaking authority for these provisions. FTC has authority to enforce the Federal Trade Commission Act against most providers of financial services that are not banks, thrifts, and federal credit unions—which may include some medical credit card companies—as well as health care providers in certain contexts.[10] CFPB and FTC share enforcement authority for nonbanks in accordance with a memorandum of understanding. State attorneys general have enforcement authority under state and federal law, including the authority to enforce the Consumer Financial Protection Act of 2010 and CFPB rulemakings.[11]

[8] 12 C.F.R. § 232.4(a)(3).

[9] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, §§ 1024-1025, 124 Stat. 1376, 1987-93 (2010) (codified at 12 U.S.C. §§ 5514-5515). A large bank is defined as an insured depository institution with total assets of more than $10 billion. Federal banking regulators include the Office of the Comptroller of the Currency, which has primary responsibility for supervising national banks, federal savings associations, and federal branches of foreign banks; the Board of Governors of the Federal Reserve System, which supervises state member banks and bank holding and savings and loan holding companies; and the Federal Deposit Insurance Corporation, which has primary responsibility for supervising state nonmember banks with assets of $10 billion or less. 12 U.S.C. § 1813(q).

[10] 15 U.S.C. § 45; 12 U.S.C. § 5514(c)(3)(A). In January 2012, FTC and CFPB entered into a memorandum of understanding that sets forth a framework for coordinating certain law enforcement, rulemaking, and other activities.

[11] Pub. L. No. 111-203, § 1042, 124 Stat. 1376, 2012 (2010) (codified at 12 U.S.C. § 5552).

One Company Appears to Issue the Majority of Medical Credit Cards

Market Participants

One company, CareCredit LLC (CareCredit), issues the majority of medical credit cards, according to available information, although no comprehensive data source on the industry exists.[12] A registration statement (Form S-1) filed with the Securities and Exchange Commission in March 2014 by an affiliate of CareCredit reported that CareCredit had 4.4 million active cardholders and 177,000 health care and veterinary providers in its network and revenues of approximately $1.5 billion for calendar year 2013. Market participants with whom we spoke cited three other banks—Citibank, N.A. (Citibank), Wells Fargo Financial National Bank (Wells Fargo), and Comenity Capital Bank (Comenity)—as also among the largest issuers of medical credit cards.[13] Representatives of these banks generally said that data on the number of cardholders and network providers were proprietary, but told us they believed that their share of the market was relatively low.

Companies participating in the medical credit card marketplace play different roles (see table 1). Card issuers generally are responsible for marketing, origination, and underwriting of accounts, and management and collection of payments. CareCredit, Citibank, and Wells Fargo issue medical credit cards under their own names, while Comenity works with third-party companies (sometimes called aggregators) or retail networks that offer and market the product under their own names. For example, Comenity has a partnership with Springstone Patient Financing, a nonbank financial institution, to offer a product co-branded under

[12]GE Capital Retail Bank, which is a federally chartered savings association, and its affiliate CareCredit LLC, which is a California limited-liability company, issue a consumer credit card marketed primarily for health care services under the name CareCredit. Both of these entities are indirect subsidiaries of General Electric Capital Corporation. The bank reported in 2014 that CareCredit was a “leading provider of promotional financing to consumers for elective healthcare procedures or services,” and the New York State Office of the Attorney General stated in 2013 that the company was “the largest issuer of consumer health care financing in the nation.”

[13]Two other large banks, Capital One and JPMorgan Chase & Co., previously offered medical credit cards but ceased issuing such cards in 2009 and 2012, respectively.

Springstone's name. With the direct oversight of Comenity, Springstone makes the product available through a network of participating providers, while Comenity is responsible for the financing and servicing of the credit card accounts.[14]

Table 1: Participants in the Market for Medical Credit Cards and Related Products, as of May 2014

Role	Examples	Description
Card issuers	• CareCredit • Citibank • Wells Fargo • Comenity	Financial institutions that issue medical credit cards, financing the loan and managing the account.
Aggregators	• Springstone • American HealthCare Lending	Companies that offer co-branded cards or installment loans, often marketed through participating providers. Partner with issuer that finances and services the loans.
Participating providers	• Individual dental, veterinary, or chiropractic offices	Providers that offer their clients a card branded under the card issuer's or aggregator's name.
Retail networks	• Ideal Image • American Laser Skincare	Networks or chains of participating providers that offer their clients an issuer's card branded under the network's or chain's company name.

Source: GAO. | GAO-14-570

In addition to these and other established companies, our review identified at least 25 websites that marketed financing for health care procedures but did not always clearly identify the corporate entity or financial institution with which they were affiliated.[15] In some cases, these websites appeared to serve largely a marketing function, collecting information that would be used to direct consumers elsewhere. Apart from participants in the medical credit card market, some companies play other roles related to financing procedures not covered by health insurance. For example, some firms assist medical offices in arranging and managing their own payment plans, or they purchase accounts receivable from such offices and assume collections responsibilities.

[14]Comenity Capital Bank's other products for financing health care and cosmetic services not covered by insurance are branded under Alphaeon, DentalFirst Financing Credit, Extendcredit.com, HealthiPlan® Medical Credit, HeathiPlan® Credit, Heartland, Ideal Image® VIP Credit Card, and Lifestyle Lift, among others.

[15]We contacted some of these companies through the customer service telephone number or e-mail address to obtain information about the corporate entity or financial institution with which they were affiliated, but were generally unsuccessful in eliciting responses to our inquiries.

Relationship between Card Companies and Participating Providers

Card companies contract with participating providers to offer financing products to consumers. Card companies enroll providers into their card networks by marketing to them through trade shows, direct marketing sales calls, trade journal advertisements, direct mail, and e-mail. In some cases, card companies paid trade organizations to endorse specific products and promote them to their members. For example, CareCredit reported that as of December 2013, it had relationships with 107 professional and other associations—such as the American Dental Association and American Animal Hospital Association—to endorse and promote CareCredit products to their members.[16] The compensation for 63 of the associations was linked to enrollment of association members in the company's card program and the volume of product transactions by association members.

Dental care appears to be the procedure mostly commonly financed with medical credit cards. Among the companies we reviewed in depth, one reported that dental practices composed approximately 64 percent of its medical credit card business, veterinary 14 percent, cosmetic and dermatology 10 percent, vision 6 percent, audiology 3 percent, and other services such as weight loss treatments and procedures 4 percent. Representatives of another company, which entered the medical credit card market in 2003, told us that as of November 2013, dental and orthodontia made up about 85 percent of its medical credit card business, with the remaining 15 percent financing hair restoration, vision care, and audiology and veterinary services. Representatives from a third company, which entered the market in 2008, said that its largest market was for dental and audiology services, although its card also financed veterinary and vision services. Finally, representatives of the fourth company, which entered the medical credit card market in 2006, said it typically financed audiology, dental, hair removal, hair restoration, and skin care.

Participating providers compensate card companies for their clients' use of the cards through a transaction or administrative fee. When a consumer's financing is approved, the card company typically pays the

[16]For example, CareCredit has an exclusive endorsement arrangement with the American Dental Association's ADA Business Enterprises Inc., meaning the dental association could establish a partnership with only one credit card company. The dental association receives royalty fees in exchange for endorsing CareCredit to its members and providing access to the association's name, logo, and membership list, and opportunities to market the product through direct mail, e-mail, and its member website.

provider the full amount financed—minus the fee—within 24 to 72 hours after service is provided. Card companies generally told us that the exact amount of the fee was proprietary information and generally declined to provide it to us. They said it can vary based on such factors as the provider's overall volume of business and the specific financing options (such as payment plan and term length) that the provider makes available to patients or clients. In exchange for this fee, the card company rather than the provider is responsible for billing and collection and generally assumes the risk of nonpayment by the borrower.

Card companies typically provide participating providers with the informational marketing materials, applications, and disclosures needed to enroll consumers. Card companies also often train providers and staff on the products and enrollment process through webinars and telephone tutorials, and in-person. Some card companies told us that they also offer participating providers dedicated customer support.

Settlements with GE Capital Retail Bank and CareCredit

In December 2013, CFPB announced a consent order with GE Capital Retail Bank and its affiliate CareCredit.[17] CFPB said it initiated an investigation of the company after receiving hundreds of complaints from consumers. The consent order alleged

- deceptive card enrollment processes, such as unclear communication about the terms of the deferred interest product;
- inadequate disclosures, whereby consumers did not always receive copies of the actual card agreement and did not understand the terms of the deferred interest product (discussed in the next section); and
- poorly trained staff at some health care provider offices, some of whom admitted they were confused by the product.

As part of the settlement, GE Capital Retail Bank and CareCredit must refund up to $34.1 million to what CFPB described as potentially more than 1 million CareCredit consumers.[18] The company also agreed to

[17] *In the Matter of GE Capital Retail Bank, CareCredit LLC*, Consent Order, File No. 2013-CFPB-0009 (Dec. 10, 2013).

[18] Under the consent order, GE Capital Retail Bank and CareCredit were required to set aside $27.7 million in a fund to be distributed to eligible consumers, with any remaining funds available to CFPB for equitable relief, and another $6.4 million to be used for the same purpose, with any remaining funds to be returned to the company.

make several changes in its practices, including enhancements to consumer disclosures provided during the application process and on billing statements immediately prior to the expiration of the promotional period, enhanced training to providers on making the terms of the credit arrangement transparent to patients, and enhanced warnings to consumers about the expiration of the promotional period. (Representatives of CareCredit told us that it already had in place some of these practices.) In addition, for dental or audiology transactions over $1,000, consumers must apply directly to CareCredit, rather than through the health care provider, for credit approval if they use the card for such a transaction within 3 days of the application.

In June 2013, GE Capital Retail Bank and CareCredit entered into a settlement agreement with the New York Attorney General, who had alleged deceptive enrollment practices and inadequate disclosure of product terms and conditions.[19] This settlement required CareCredit to provide a 3-day "cooling-off" period, which prohibits certain charges of $1,000 or more on a CareCredit card within 3 days of an in-office application and provides New York consumers an opportunity to consider the card's terms and the treatment plan. The settlement also limited what the health care provider can charge in advance and required clearer disclosure of the interest rates associated with deferred-interest products (discussed below). It also required CareCredit to call consumers within 72 hours of the submission of a CareCredit application with a same-day charge to confirm the account opening with the consumers and to inform them of certain account terms, a practice that CareCredit has said it adopted nationally. In addition, the settlement required CareCredit to pay for and establish an appeals fund that resulted in cardholder refunds or adjustments of approximately $175,000.

[19] *In the Matter of GE Capital Retail Bank and CareCredit, LLC*. Assurance of Discontinuance, Assurance No. 12-103 (June 3, 2013).

Medical Credit Cards Commonly Offer Revolving Credit with Deferred Interest

The medical credit cards we reviewed in depth resembled conventional credit cards (offered a revolving line of credit with an established credit limit) and offered some form of promotional financing (special terms and conditions valid for a specified period).[20] Most common was a deferred interest option, which 85 percent of CareCredit cardholders had chosen, according to the settlement agreement with CFPB. Deferred interest plans start accruing interest from the initial purchase date based on the stated annual percentage rate (APR). If the entire promotional balance is paid off during the specified promotional period (generally 6, 12, 18, or 24 months, depending on the plan), the accrued interest is waived. But if the balance is not paid in full within the specified promotional period, the accrued interest is assessed to the account. As seen in table 2, the APR for consumers who did not pay off the purchase amount before the promotional period expired varied depending on the product, but our analysis found that most cardholders had deferred interest products with an APR of 26.99 percent or more. One company's APR was 26.99 percent, a second ranged from 26.99 to 28.99 percent, and a third ranged from 14.99 to 26.99 percent. A fourth company offered a variable APR of 9.99 percent that became effective October 22, 2013; before that it had been 27.99 percent. The companies declined to provide the proportion of consumers who did not pay off the full balance during the promotional period, stating that this information was proprietary.[21] Although less common, major card companies we reviewed also offered a promotional monthly fixed-payment option, which charged a set interest rate (an APR from 0 to 17.99 percent) during a specified period (from 12 to 60 months).

[20]We gathered and analyzed the terms and conditions of medical credit card products of the four companies appearing to be among the largest card issuers. For information on additional data sources and analyses, see appendix I.

[21]While data specific to medical credit cards were not available, 80.2 percent of consumers with deferred interest products of any kind paid off their balance by the end of the promotional period in 2010, according to CFPB. CFPB, *CARD Act Report: A Review of the Impact of the CARD Act on the Consumer Credit Card Market* (Washington D.C.: Oct. 1, 2013).

Table 2: Characteristics of Selected Medical Credit Cards, as of May 2014

	Type of credit	Promotional financing options	Annual percentage rate	Term lengths
Card company #1	Revolving line of credit	Deferred interest	26.99% fixed, but no interest charged if paid in full before promotional period expires	6, 12, 18, or 24 months
		Fixed monthly payment	14.90% fixed	24, 36, 48, or 60 months
Card company #2	Revolving line of credit	Deferred interest	From 26.99 to 28.99% fixed, but no interest charged if paid in full before promotional period expires	6, 12, 18, or 24 months
		Fixed monthly payment	15.90% fixed	24, 36, or 48 months
Card company #3	Revolving line of credit	Deferred interest	9.99% variable, but no interest charged if paid in full before promotional period expires[a]	6, 12, or 18 months
		Fixed monthly payment	9.99% variable	18, 24, 36, 48, or 60 months
		Interest-free, fixed monthly payment	0%	24 or 36 months
Card company #4	Revolving line of credit	Deferred interest	From 14.99 to 26.99% variable, depending on product, but no interest charged if paid in full before promotion expires	6-24 months, depending on program
		Fixed monthly payment	From 14.99% to 17.99% variable	12-60 months, depending on program

Source: Card companies. | GAO-14-570

[a]Prior to October 22, 2013, the APR for this product was 27.99 percent.

The number of cardholders who do not participate in promotional financing appears to be small; for example, CareCredit told us that the vast majority of the credit extended through its medical credit card was promotional financing. The standard APR without promotional financing ranged from 9.99 to 28.99 percent. Representatives of the medical credit card companies with whom we spoke said their customers typically were prime borrowers—that is, with credit scores that put them at low risk of default—and that the interest rates and other terms of the loan did not vary based on the cardholder's credit profile.

As noted earlier, in addition to the companies listed above, we identified 25 websites that marketed products—either revolving lines of credit or installment loans—designed to finance services not covered by health insurance. These websites did not always provide comprehensive information about the terms and conditions of the products, which generally appeared to be marketed by smaller companies, and we did not verify the product information. However, some of these websites appeared to market financing terms, such as deferred interest, similar to those of the banks listed above. In addition, two companies marketed products that charged interest, but refunded that interest in the form of a rebate check if the loan was paid in full within 12 months. Some of these websites marketed financing for persons with a wide range of credit histories, including those with marginal or poor credit.

Agency Comments and Our Evaluation

We provided a draft of this report to CFPB and FTC. CFPB provided technical comments that we incorporated as appropriate. We also provided selected relevant portions of the draft for technical review to CareCredit, LLC; Citibank, N.A.; Comenity Capital Bank; Springstone Patient Financing; and Wells Fargo Financial National Bank, and incorporated their technical comments as appropriate.

We are sending copies of this report to the Director of CFPB and the Chairwoman of FTC. In addition, the report will be available at no charge on GAO's website at http://www.gao.gov.

Please contact me at (202) 512-8678 or brownbarnesc@gao.gov if you or your staff have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix II.

Cindy S. Barnes

Cindy Brown Barnes
Acting Director, Financial Markets
and Community Investment

List of Requesters

The Honorable Edward J. Markey
United States Senate

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

The Honorable Elijah E. Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines the (1) participants and (2) products in the marketplace for medical credit cards. For the purposes of this report, we used “medical credit cards” to refer collectively to financial products—including revolving credit lines and installment loans—that are designed specifically to finance health care services not covered by health insurance. This report provides an overview of this industry, but does not necessarily describe all its products and participants.

To address these objectives, we conducted a literature review of articles using the Proquest, PubMed, and ABI/Inform databases using search terms such as “medical credit card,” “health care credit card,” “healthcare financing,” and “medical financing” for the purpose of obtaining background and context surrounding the products. We also searched the Internet using these same search terms and also “medical procedure financing.” We reviewed publications from, or interviewed representatives of, organizations that study the credit card industry, such as Argus Information and Advisory Services, The Nilson Report, and CreditCards.com.

We interviewed representatives of companies that serve as lenders or marketers of medical credit cards, including AA Medical Finance, Advance Care, American HealthCare Lending, Citibank N.A., Comenity Capital Bank, Fundmydr.com, GE Capital Retail Bank’s CareCredit LLC, HELPcard, JPMorgan Chase & Co., MedicalFinancing.com, MyMedicalFunding, Springstone Patient Financing, United Medical Credit, and Wells Fargo Financial National Bank, as well as CarePayment, which provides billing and patient financing services. These companies were selected either because they were identified by industry and government representatives as key players in this marketplace or because they represented a variety of different sizes, roles, and products. We also corresponded with the Financial Services Roundtable, a trade organization representing financial services companies. We also interviewed representatives of two federal agencies, the Bureau of Consumer Financial Protection (known as CFPB) and the Federal Trade Commission. We conducted two group interviews, coordinated by the National Association of Attorneys General, that together included staff from the office of the attorney general of nine states that chose to participate (Indiana, Louisiana, Maryland, Massachusetts, Nebraska, Nevada, New York, Ohio, and Tennessee), as well as a separate interview with the Minnesota Office of the Attorney General, which had been examining the medical credit card industry. We also interviewed or received written responses from organizations representing health care providers (American Dental Association and American Society of Plastic

Surgeons) and representatives of consumer interests (Consumers Union, National Consumer Law Center, and Community Health Advisors).

Our review of reports and data from organizations that study the credit card industry broadly, and interviews with industry representatives, indicated that no comprehensive source of information existed on the medical credit card industry and the market share of its participants. However, based on the testimonial and documentary information we received from the sources above, we identified four companies that appeared to be among the largest market participants—CareCredit LLC, Citibank, N.A., Comenity Capital Bank, and Wells Fargo Financial National Bank—which we selected for greater examination.

In addition to our interviews with company representatives, we gathered and analyzed the terms and conditions of these companies' medical credit card products, application forms, and informational and marketing materials when publicly available or provided by the company. One card company also provided us with a generic copy of its standard contract with participating providers. We also reviewed, where applicable and available, the companies' public filings with the Securities and Exchange Commission. We found that only the filing for an affiliate of CareCredit reported information specific to medical credit cards. To assess the reliability of that public filing, we reviewed the data for completeness and consistency and found that they were reliable for the purposes of describing characteristics of the CareCredit product.

Apart from the four companies we examined in depth, we collected and reviewed publicly available product information from the websites of 25 other companies that provide medical credit cards and related products. In some instances, we contacted the companies to confirm or clarify certain aspects of the products. We generally did not independently verify this information, but we did use it for context and to provide a broader picture of available products and key features.

We reviewed applicable federal laws and regulations related to medical credit cards and to lending products more generally, including Regulation Z[1] (which implements the Truth in Lending Act),[2] the Consumer Financial

[1] 12 C.F.R. pt. 1026.

[2] Pub. L. No. 90-321, tit. I, 82 Stat. 146 (1968) (codified as amended at 15 U.S.C. §§ 1601-1667f).

Protection Act of 2010,[3] the Federal Trade Commission Act,[4] the Credit Card Accountability Responsibility and Disclosure Act of 2009,[5] and the Fair Credit Reporting Act.[6] We also reviewed the settlement agreements and related materials resulting from two enforcement actions against CareCredit, one by CFPB and one by the New York State Office of the Attorney General.

We conducted this performance audit from July 2013 to June 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[3]Pub. L. No. 111-203, tit. X, 124 Stat. 1376, 1955 (2010).

[4]Pub. L. No. 63-203, 38 Stat. 717 (codified at 15 U.S.C. §§ 41-58).

[5]Pub. L. No. 111-24, 123 Stat.1734 (codified in scattered sections of 15 and 16 U.S.C.).

[6]Pub. L. No. 91-508, tit. VI, 84 Stat. 1114, 1127 (1970) (codified at 15 U.S.C. §§ 1681-1681x).

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

Cindy Brown Barnes, (202) 512-8678 or brownbarnesc@gao.gov

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