

Medical Credit Cards and Other Medical Lending Products

Over 40% of the U.S. population owes medical debt. Medical bills often end up on credit cards, including medical credit cards and other medical lending products. These products are marketed specifically to pay for medical expenses and are typically offered directly by health care providers, particularly dentists.

Medical credit cards often have **deferred interest** features, which promote “no interest” for a certain time period, but then retroactively assess interest starting from the purchase date if the consumer does not pay off the entire balance by the end of the promotional period.

State Reforms to Protect Consumers

There are many ways that states can protect consumers from the harms caused by medical credit cards and other specialized medical lending products. The first set of solutions focuses on regulating the lenders that offer these products. Since some of these lenders are federally chartered banks, certain solutions will not apply to them due to federal preemption. The second set of solutions focuses on regulating the conduct of health care providers who offer or solicit patients for these lending products. **California, Illinois, and New York** have already enacted state reforms.



Patients used cards or loans with deferred interest terms to pay for almost **\$23 billion in healthcare expenses**, and over **17 million medical purchases**, from 2018 to 2020.

Regulating Lenders that Offer Medical Lending Products

CONSUMER PROBLEMS

STATE SOLUTIONS

High-interest rates

Cap interest rates (state-chartered banks and non-banks only).

Falling behind on paying will harm a consumer’s credit score

Ban reporting of negative information from medical lending products and ban lenders, employers, and landlords from using such information.

Deceptive deferred-interest plans trap unwary consumers

Prohibit deferred interest (state-chartered banks and non-banks only).

Medical lending products are pitched to consumers with limited English proficiency (LEP) in their primary language, but federally required Truth-in-Lending disclosures and monthly statements are only available in English

Require disclosures and statements to be made available in the ten languages most commonly used languages by LEP consumers.

Regulating Medical Providers When Offering Medical Lending Products

CONSUMER PROBLEMS

STATE SOLUTIONS

Deceptive deferred interest plans trap unwary consumers

Prohibit health care providers from promoting medical credit cards with deferred interest and from arranging or brokering the application for such cards.

Providers' staff don't adequately explain the terms and conditions of the medical lending product, especially deferred interest

Require providers' staff to refer patients to the lender's staff to apply for or ask questions about a medical lending product.

Patients sometimes end up with medical debt for medical services or products that they did not ultimately receive

Prohibit providers from charging a medical lending product for medical procedures not yet conducted.

Patients don't realize they have signed up for a medical lending product

Require a standardized disclosure with mandatory language informing the patient they are applying for credit from a third party.

Patients who have insurance that covers a health care service may instead be signed up for a medical lending product

Prohibit offering a medical lending product or charging a credit card when the patient's insurance, including Medicaid, will cover the services, unless the amount is for a co-pay, deductible, or co-insurance.

Patients whose insurance plan would cover a less expensive service or product for the same condition (e.g. denture instead of a dental implant) are signed up for a medical lending product to pay for something more expensive

Require a prominent, standalone disclosure with mandatory language when offering a more expensive service or good that is charged to a medical lending product when the patient's insurance, including Medicaid, will cover the less expensive treatment option.

Patients who should be eligible to receive reduced or free care through a financial assistance program may instead be signed up for a medical lending payment product

For providers required to offer reduced or free care, prohibit offering a medical lending product or charging another form of credit until there is an active screening for financial assistance eligibility and the patient has been found not eligible.

For more, see [Selected Resources About Medical Lending Products](#) and National Consumer Law Center's [Medical Debt Issue Page](#).

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