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## Health care credit cards curb costs, but increase debt

Kelley M. Butler

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As consumer-driven health plans gain traction, banks and health plans are teaming up to develop health care credit cards that they hope will reduce the increased out-of-pocket costs for employees that go along with CDHPs, often as much as \$2,000 or more a year.

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In the last few years, large plans and financial institutions like Kaiser Permanente and Citigroup, as well as smaller regional outlets such as Via Christi Health, have made such cards available to individuals and families to charge their health care expenses.

While the cards have so far won raves from providers who receive prompt payments, it remains to be seen whether the accounts will be a boon or burden to consumers. Given that the average American has about \$2,300 in credit card debt, the convenience of charging health care could prove to be a double-edged sword.

"Yeah, it's convenient I suppose," says Linda Sherry, a spokesperson for consumer advocacy group Consumer Action. "But there are so many little things that companies can do with these cards that do not always make them the most consumer-friendly."

## Citywide to Citigroup

In the fall of 2003, just months before HSAs were signed into law, DataPath, a leading provider of consumer-driven health solutions, launched the myResourceCard MasterCard to serve as a financial management tool for an FSA, HSA or HRA.

With the myResourceCard, employers must establish a line of credit through a bank for each employee using the card. Employers also manage the credit line between employees and the amount needed to manage their expenses.

Cardholders are eligible to use myResourceCard to pay for medical expenses at the time of service and then can use HSA funds, or their personal money, to pay their monthly credit card statement. In the event that an outstanding account balance rolls from one month to another, members are charged interest.

Although DataPath is new to the credit card market, Citigroup, long-known for its Visa and Mastercard, also in 2003 launched the Citi Health Card as a "convenient and affordable payment option to allow patients to pay for treatments they might otherwise delay or avoid," says Samuel Wang, Citigroup public affairs officer.

The card, at a 12.96% interest rate, may be used to pay for elective or quality of life procedures, such as laser eye surgery, cosmetic dental care, orthodonty and hearing aids. Prices for such services easily go into the thousands, but Citi Health Card enables patients to "structure payment plans of up to 48 months, so members can customize their payments to fit their overall financial planning and medical spending," Wang says.

"Since it's a separate line of credit, it frees up existing credit for other uses to



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Flexibility also is a main selling point for Wichita, Kan.-based Via Christi Regional Medical Center's MedCharge health care credit card.

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"It is just one more way we try to help patients pay their medical bills," says spokesperson Roz Hutchinson. "It's primarily for people who want to extend their payment term for longer than we would be able to allow at no interest." Available since 1991, the card is administered by Intrust bank with a maximum credit limit of \$10,000, according to The Wichita Eagle. However, the average balance is around \$2,500.

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Like Via Christi, Kaiser Permanente has more experience in family care than financial services, so the company had to do its homework before introducing its health care credit card in 2004.

"As plan designs began changing several years ago, we saw employers looking to decrease costs and increase cost-sharing by raising deductibles and copays," recalls Ted Wise, Kaiser's senior vice president of health plan strategies and product innovation. "We looked at what tools we could give members to [help them] assume that greater cost burden, and a credit card was one. We also did employer research to see if they would see the potential value [of the card], and they did."

Still in its pilot phase, the card is available to Kaiser Permanente members in Colorado and Hawaii as a combined member ID and payment card. The credit card is backed by GE, which approves or denies applications from Kaiser members based on creditworthiness. No consideration is given to medical need. GE charges a uniform 9.9% interest rate on balances, but bases each member's credit limit on credit history.

Unlike the Citigroup card, Kaiser allows members to use the card for any service provided through its care centers. Members can sign up or cancel the card at any time through their benefit manager.

Like Citigroup's Wang, Wise views the card largely as a convenience for CDHP plan participants. Plus, "it's a better way for them to keep track of health care expenses," he says.

As for whether consumers can afford the card, "the bank is making that determination through the information on their credit report, and it depends on how each consumer chooses to manage their own personal costs."

**Consumer advocates dubious**

Although health care credit cards allow patients to spread out-of-pocket medical costs over a longer period of time, "I would be cautious," Sherry says. "If a patient owes payment for a bill, they are responsible for that bill, but there's a big difference between a hospital bill and credit card bill."

For example, medical providers generally do not charge interest and penalties to patients with unpaid balances, as credit companies do. With Kaiser's card, the 9.9% interest rate only holds for one year; after that the interest rate skyrockets to 23% on unpaid balances, according to news reports, which can plunge consumers into medical debt if they aren't aware of the fine print.

"Something like that can have a domino effect on your credit rating," Sherry says. Sherry encourages consumers to look before they leap into using health care credit cards.

"The ultimate question is, Who do you want to be in debt to?" she says. "Obviously, a hospital will come collecting after a while, but I've never heard of a hospital ruining someone's credit the way a credit card can." - K.M.B.

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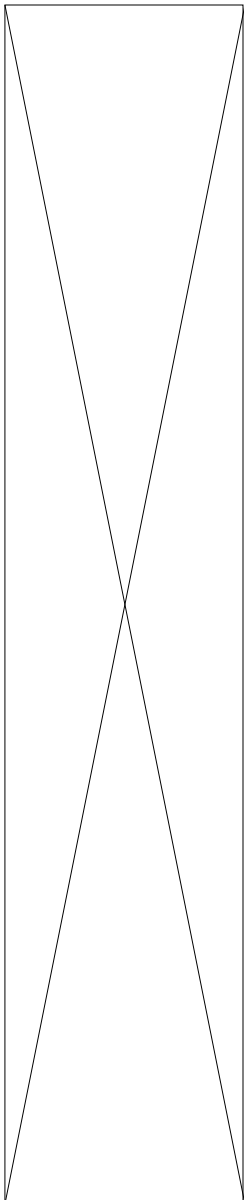
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