

Healthcare Financing Plans

What you need to know!



consumer**brief**

Many consumers in New Jersey and nationwide struggle with the high cost of healthcare and with limitations on procedures for which their insurance will pay.

But what consumers see as a crisis, many nationwide lenders see as an opportunity. Lenders have developed healthcare financing plans – sometimes in the form of healthcare credit cards or healthcare loans – as a way for patients to pay for medical, dental, chiropractic, or other expenses not covered by their insurance.

Unfortunately, many patients who sign up for these plans don't know that they will typically face punitive late fees, retroactive and very high interest rates, and other significant costs if they are late with a payment.

These hidden costs can leave patients on the hook for thousands of dollars in new, unexpected debt – on top of the cost of their healthcare procedures.

The Division seeks to warn you that if your healthcare provider is aggressively urging you to sign up for a healthcare credit card or healthcare loan, he or she may not have your best interests in mind.

You should also be aware that when you sign up for one of these financing plans, your doctor, dentist or chiropractor may be paid in full, right upfront – even if he or she hasn't yet begun the procedure for which you are paying, and even if the procedure is to be completed over more than one visit.

You remain responsible to pay the lending company even if you are not satisfied with the work of the doctor, dentist or chiropractor, and even if you don't complete the procedure. You are responsible for the full amount even if you would rather switch providers and have someone else finish the procedure; or even if you decide not to have the work done at all.

DECEPTIVE MARKETING

The New Jersey State Board of Dentistry in May 2012 revoked the license of a dentist accused of signing patients up for healthcare loans without their knowledge. The dentist was paid thousands of dollars upfront for procedures he allegedly never started, never finished, or performed incompetently – causing harm and pain to his patients. The patients found themselves thousands of dollars in debt for loans they never authorized, and for care they never received or considered unsatisfactory.

ONE PATIENT'S EXPERIENCE

The dentist, mentioned above, told one patient she could qualify for a loan if she ever wanted dental implants.

The patient didn't want implants, but agreed to sign documents she believed were for "pre-authorization" in case she wanted to apply for a loan in the future.

When she arrived home and reviewed the paperwork, it became clear that she had been deceptively signed up for a \$6,000 loan through a healthcare financing plan. Her dentist received the money in full, for work he never performed. It wasn't until four months later, after she had contacted the New Jersey Attorney General's office, that the lending company agreed to cancel the loan. By that time, it had already gone onto her credit record.

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To make matters worse, these healthcare loans are often structured in such a way that if you miss a single payment, you will face late fees of \$30 or more, and an interest rate as high as 29.99 percent. Sometimes, if the borrower misses a single payment, the higher interest rate is applied retroactively back to the beginning of the loan period.

Despite this deception, the patient experienced a great deal of difficulty when she tried to cancel the loan.

She finally had the procedure completed by a different dentist, who was paid through her insurance company.

Many healthcare credit cards or loans claim “zero percent financing” – but it is crucial to read the fine print. Zero percent financing often only lasts for an initial promotional period, such as six to 18 months, after which cardholders must pay interest. In one such case, a healthcare financing plan hiked the rate to 26.99 percent – and applied it retroactively.

Consumers should also know that, in some cases, the lenders who issue these lines of credit have been known to offer financial incentives to healthcare practitioners and their staff who sign patients up for these loans.

The Division of Consumer Affairs urges consumers to follow these guidelines when they are being offered healthcare financing plans:

- When you’re faced with a dental or other healthcare procedure that won’t be covered by your insurance company, explore all of your options before you decide on a financing plan.
- Ask whether you can work out a payment plan directly with your provider, without having to resort to a new credit card or loan. Learn what interest rates and conditions might apply to such an arrangement.
- Fully review your Medicare/Medicaid benefits and any insurance policies you are covered by to ensure that you are making full use of your coverage.
- If you must borrow, check with your bank or credit union to learn whether you can obtain a loan with more favorable terms than a healthcare credit card or healthcare loan.

- Get a second opinion. When large sums of money are required to pay for significant procedures, it is wise to check with another healthcare professional to make sure the treatment is appropriate.
- Never sign a contract for a financing plan, credit card or loan, without first taking the time to read the fine print to learn about all of the terms and conditions. Be sure you completely understand all of the fees and the interest rate that will apply. Learn about any applicable late fees, and whether the interest rate will rise if you miss a payment.
- Remember that some lenders have been known to offer financial incentives to healthcare providers or their staff members who sign patients up for these loans. Therefore, a practitioner or staff member who tries to sign you up, may not have your best interests in mind.
- If a healthcare provider – or anyone else – tries to pressure you into signing up for a financing plan right away, without allowing you the time to read the fine print and understand the terms and conditions, you should walk away. That person may be setting you up for a scam.

ANOTHER PATIENT VICTIMIZED

The same dentist encouraged yet another patient to sign up for a \$4,400 healthcare financing loan to pay for a dental plate – a treatment the dentist said her insurance company would not cover.

After signing up for the loan, she discovered her insurance company would have paid for the treatment. In fact, in addition to receiving the full amount of the loan, the dentist had been submitting claims and receiving payments from her insurance company.

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