

# 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](mailto:brownbarnesc@gao.gov).

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## CONSUMER FINANCE

### 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.