June 17, 2019

The Honorable Evan Low
Chair, Assembly Committee on Business and Professions
State Capitol, Room 4126
Sacramento, CA 95814

RE: Oppose Senate Bill 639 (Mitchell), Unless Amended: Financing Healthcare Services

Dear Chairman Low:

<u>Introduction</u>

On behalf of the entities listed above, we are writing to oppose SB 639 (Mitchell) unless it is amended. We support those provisions of the bill that establish some necessary requirements for healing arts licensees when providing financing for healthcare services. Unfortunately, the bill also (and unnecessarily) bans a licensee from arranging healthcare financing through a third-party if the financing contains a deferred-interest feature.

<u>The Truth About Deferred Interest Financing: Patients Want and Need It</u>

Under a deferred interest plan, monthly payments are typically lower than those for other types of promotional financing. In addition to this benefit, patients pay no interest on the money they borrow until the end of their promotional period, typically anywhere from 12-48 months later. If they pay the principal balance back in full during the promotional period, they pay <u>no interest</u>. This is an important and valuable option. In fact, studies show that **76 to 82% of all consumers who use deferred interest financing pay no interest**[1]. **Further, 75% of consumers use it multiple times,** and 33% of consumers have used it five or more times[2]. Clearly, the option is popular.

The popularity should not be surprising. Recent newspaper articles written during tax season indicate that many consumers put off needed health care for financial reasons until they receive tax refunds[3]. Other consumers who may be seasonally employed likely make similar choices.

[1] See, Consumer Financial Protection Bureau, *The Consumer Credit Card Market* (December, 2015).
[2] *Id.*
[3] See, e.g., Bloomberg, *Americans Are Delaying Healthcare Until Tax Refunds Arrive*, The Columbus Dispatch (April 15, 2019).

Fortunately, deferred interest financing allows those consumers to have their procedure when they need it, and pay for it without interest when they receive a tax refund, their regular salary, or when their crop or stock is sold in the case of farmers or agribusiness owners.

Banning this customer friendly and useful financing option would lead patients to foregoing necessary treatment, putting-off that treatment, or pursuing higher-cost, predatory alternatives.

Deferred Interest Pricing Benefits Providers and their Patient Relationships

Deferred interest financing is also good for providers, and benefits their patients in another form. In order to provide financing for their patients, providers enter into agreements with banks and licensed finance companies. In the traditional model, the consumer pays for our lending services through interest and fees. However, when promotional financing, whether deferred or another type, is involved, the consumer either pays no interest, or a reduced amount. When that happens, the provider steps in and pays for that financing on behalf of their patient. In a straight no-interest plan, the consumer always pays zero interest, while in a deferred interest plan, the consumer may pay at least some interest. Thus, in a straight zero interest plan, the provider will pay for all of the financing, while in a deferred interest plan, they will pay less of the financing. If the choice of deferred interest plans is removed, providers who wish to help their patients will absorb more of the financing costs. These will be passed on to all of their patients in the form of higher fees, required in order to keep their offices running. Thus, the elimination of deferred interest will lead to higher fees for all Californians, which is not an advantageous result.

Conclusion

Should the bill be enacted with the ban on the use of deferred interest for financing healing arts procedures, it will eliminate a useful and popular product for both patients and providers. While we are aware of the anecdotal instances of consumers not understanding the plans, we are committed to working with the providers to eliminate those infrequent and unfortunate occurrences. Therefore, we are not opposed to amending SB 639 to instead require that patients be given a choice between deferred interest plans and other types of promotional financing plans by their providers. While other types of plans generally have a higher monthly payment, they may be chosen by some patients who are less certain of future finances. We support consumer choice and believe that based on the facts the prohibition of deferred interest financing options for patients works counter to that goal.

For the reasons stated above, we urge that you **VOTE NO on SB 639** unless it is amended to remove the ban on healing arts licensees from arranging deferred interest credit issued by third-parties to pay for healthcare services.

Sincerely,
Alliance Data
California Bankers Association
California Financial Services Association
Card Coalition
Electronic Transaction Association