



Alberto B. Casellas
EVP & CEO, Health & Wellness

Synchrony
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January 26, 2023

The Honorable Elizabeth Warren
309 Hart Senate Office Building
Washington, DC 20510

The Honorable Edward J. Markey
255 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bernard Sanders
332 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Christopher Murphy
136 Hart Senate Office Building
Washington, DC 20510

The Honorable Sherrod Brown
503 Hart Senate Office Building
Washington, DC 20510

Dear Senators Warren, Markey, Sanders, Murphy, and Brown:

Thank you for your letter of December 29, 2022 regarding medical debt and the tools consumers use to manage their medical expenses. Your letter includes sixteen data requests, the responses to which are provided in an appendix to this letter. We share your desire to treat consumers fairly and transparently, and hope this response can help you better understand our commitment to doing so.

CareCredit has been offered to consumers for more than 35 years.¹ The CareCredit network allows consumers to use their CareCredit cards to pay for a variety of health, wellness, and veterinary products and services at over 260,000 locations across the country, including large retail chains, veterinary clinics, dental offices, and cosmetic practices.² We are pleased that so many consumers find value in CareCredit to make these types of payments; consumers overwhelmingly rate CareCredit highly, including a 90% satisfaction rate. Our research also indicates that CareCredit has a net promoter score of 76, far exceeding the consumer finance industry average of 42.

We understand from your letter that you are primarily concerned with issues associated with the cost of “necessary medical care” and how consumers manage those costs. It is important to underscore that, to the extent CareCredit is used for medical expenses, those expenses overwhelmingly relate to *elective* medical procedures not usually covered by insurance, such as cosmetic procedures, LASIK surgery, dentistry, or veterinary services. While CareCredit has recently been exploring how to serve cardholders when they make payments to hospitals and health systems, payments to such entities (which can involve payment for a variety of elective and non-elective procedures) represent a very small fraction of CareCredit’s transaction volume

¹ CareCredit is a brand within Synchrony’s Health and Wellness platform.

² The majority of CareCredit credit cards have utility solely within the CareCredit network which has over 260,000 acceptance locations. Some CareCredit cards are also enabled on the Mastercard network, and can be used anywhere Mastercard is accepted.

and a virtually unmeasurably small amount of transactions at hospitals and health systems across the country.³

We take great care to offer CareCredit responsibly. CareCredit credit cards are underwritten in a safe and sound manner consistent with regulatory requirements and expectations. Applicants must demonstrate that they are creditworthy and satisfy federally mandated “ability to pay” requirements in order to receive a CareCredit credit card. CareCredit denies applications from consumers who appear unlikely to manage a CareCredit credit card responsibly. There is every interest in making sure that an applicant has the ability to repay a credit card loan—not only is that the regulatory expectation, but the credit card issuer suffers the loss when a cardholder ultimately cannot repay the balance. We have no interest in providing credit to someone who cannot repay a loan.

CareCredit’s objective across its entire network, including hospitals, is to be a payment option that is convenient and beneficial for consumers to choose, the same as how consumers may choose to pay with a check, Mastercard, Visa, American Express, or Discover. Payment card brands—including CareCredit—do not have a role in the process a hospital uses to bill for care. While CareCredit prohibits health systems from offering CareCredit as a payment option to individuals while they are in the emergency room or under duress, it is up to the hospital to determine how best to bill for care, and how much to bill for care, in compliance with all applicable laws and insurance requirements. We do not provide any incentives to any provider, including hospitals, associated with consumers’ use of CareCredit cards.⁴

In closing, we strive to ensure CareCredit is a fair and transparent option to pay anyone who accepts CareCredit.

Sincerely,

A handwritten signature in black ink, appearing to read "Alberto B. Casellas", written over a horizontal line.

Alberto B. Casellas
Executive Vice President and CEO, Health & Wellness
Synchrony Financial

Attachment (Responses to Questions from Letter of December 29, 2022)

³ For example, CareCredit has relationships with over 300 hospitals which comprise less than 1% of CareCredit’s 260,000 acceptance locations. For the period from January 1, 2022 to September 30, 2022, such hospitals comprised less than 1% of CareCredit’s purchase volume.

⁴ CareCredit may offer a merchant (including a hospital) prospective pricing based on historic payment volumes.

Appendix

Responses to Questions posed to Synchrony on December 29, 2022

The responses below include cardholder information for all CareCredit credit cards. The majority of these cards have utility solely within the CareCredit network of over 260,000 locations across the country, including large retail chains, veterinary clinics, dental offices, and cosmetic practices. Some CareCredit cards also have utility on the Mastercard network, and can be used anywhere Mastercard is accepted. Neither of these types of CareCredit credit cards would be a “medical credit card” as the term was defined in the letter. To be responsive, the questions below have been modified such that they pertain to CareCredit cards.

1. How many active [CareCredit] credit card accounts and card holders do you have? Please provide a state-by-state breakdown.

As of September 30, 2022, there were 6.3 million active CareCredit accounts. Active accounts represent credit card accounts on which there was a purchase, payment or outstanding balance in the month ended September 30, 2022.

Schedule 1 attached hereto provides the state-by-state breakdown of our active accounts as of September 30, 2022.

2. What is the average balance on the [CareCredit] credit card?

The average balance per active account as of September 30, 2022 was \$1,779.

3. What is the average interest rate for card holders? What is the maximum interest rate?

The majority of purchases made with a CareCredit card are subject to promotional terms, such as deferred interest or reduced rate promotions. The impact of these types of transactions results in an effective interest rate (finance charges divided by outstanding balances, annualized) of 16.74% for the month ended September 30, 2022. The average interest rate for purchases that are not subject to a promotional interest rate for the month ended September 30, 2022 was 26.44%.

The maximum rate of interest for 99.9% of accounts is 26.99%. For the remainder, it can be up to 29.99%.

4. What was the average rate as of January 1, 2022?

The majority of purchases made with a CareCredit card are subject to promotional terms, such as deferred interest or reduced rate promotions. The impact of these types of transactions results in an effective interest rate (finance charges divided by outstanding balances, annualized) of 15.75% for the month ended December 31, 2021. The average interest rate for purchases that are not subject to a promotional interest rate for the month ended December 31, 2021 was 26.44%.

5. What was the average rate as of January 1, 2021?

The majority of purchases made with a CareCredit card are subject to promotional terms, such as deferred interest or reduced rate promotions. The impact of these types of transactions results in an effective interest rate (finance charges divided by outstanding balances, annualized) of 16.95% for the month ended December 31, 2020. The average interest rate for purchases that are not subject to a promotional interest rate for the month ended December 31, 2020 was 26.40%.

Combined Questions 6 and 10

6. How long does the average [CareCredit] card holder take to pay off the balance? How many accounts are in collections?

10. How many [CareCredit] card holders enter delinquency? What is the delinquency rate for all other credit cards?

The CareCredit card is an open-end credit product, meaning that the card can be used to make multiple and repeated transactions generally as long as the account has not exceeded its assigned credit limit. Given the open-end nature of the CareCredit card, CareCredit does not calculate how long an average cardholder takes to pay a balance to zero.

Synchrony (of which CareCredit is a brand) does not publicly disclose delinquency rates by brand or portfolio. As of September 30, 2022, 3.28% of outstanding balances on Synchrony credit cards was 30 or more days past due.

7. What percentage of the time do patients end up paying list or “chargemaster” prices for services when they are charged to [CareCredit] cards?

CareCredit, as a payment card issuer and a payment card network, does not have access to this type of information.

8. How many [CareCredit] card accounts have had a balance subject to a deferred interest promotion? How many of those accounts ended up being charged deferred interest?

There were approximately 7.6 million transactions receiving a deferred interest promotion on CareCredit cards from January 1, 2022 to September 30, 2022. Of the transactions that were subject to a deferred interest promotion expiring between January 1, 2022 and September 30, 2022, approximately 77% were repaid during the promotional period, and therefore were interest-free loans. Approximately 23% of such transactions were not repaid within the promotional period, and were therefore assessed interest.

9. What’s the breakdown of interest and fees on [CareCredit] card loans by specialty?

Dental providers accounted for 56% of the Health & Wellness platform’s interest and fees on loans for the year ended December 31, 2021. The next largest specialty is veterinary practices. The interest and fees for which hospitals account is consistent with the fact that less than 1% of CareCredit’s purchase volume is generated by hospitals.

11. How many hospitals and providers do you partner with?

The CareCredit card allows consumers to use their cards to pay for a variety of health, wellness, and veterinary products and services at over 260,000 locations across the country, including large retail chains, veterinary clinics, dental offices, and cosmetic practices. To the extent CareCredit is used for medical expenses, those expenses overwhelmingly relate to *elective* medical procedures not usually covered by insurance, such as cosmetic procedures, LASIK surgery, dentistry, or veterinary services. Among the types of providers included in the CareCredit network are over 300 which CareCredit classifies as hospitals and which generated less than 1% of CareCredit's purchase volume from January 1, 2022 to September 30, 2022.

Combined Questions 12 and 14

12. What is the nature of your paid endorsement arrangements with hospitals, providers, and any other health care partners? Are consumers who sign up for [CareCredit] cards informed of the exact nature of these paid endorsements?

14. Please list any and all partnered health associations and groups. How many of them and which are paid endorsements? Please include the terms and conditions of all paid endorsements with these associations and groups in exchange for using [CareCredit] credit cards.

CareCredit does not have any paid endorsement arrangements with any of its providers, including hospitals.

CareCredit does, however, have over 150 relationships with professional and other associations (including the American Dental Association and the American Veterinary Medical Association), manufacturers, and buying groups, which endorse and promote our credit products to their professional members or practices. These associations do not promote CareCredit to consumers. Contracts with these associations are confidential, but may contain sponsorship payments and/or royalty payments.

13. Please list all partnered hospitals and providers and where they are located. Please include the terms and conditions of the arrangements with these hospitals and providers in exchange for [accepting CareCredit], including financial terms such as paid endorsements and whether you or the provider receive a referral fee.

There are over 260,000 acceptance locations in the CareCredit network. CareCredit's acceptance locations can be accessed through the CareCredit web site.

CareCredit's agreements with providers are confidential. However, the agreements do not include provisions for paid endorsements, nor do they have provisions for referral fees.

15. What training do you offer providers and their staff to ensure the terms of [CareCredit cards] are clear to patients, if any?

CareCredit requires that each enrolled provider, including staff members who interact with CareCredit customers, complete a certification training course about the CareCredit program

prior to participating in the CareCredit program and refresh the training every two years. If a provider's certification training is not refreshed in time, it is CareCredit's practice to suspend such provider's ability to facilitate customer applications for new accounts until recertification is completed. Each provider contract also contains "Transparency Principles" that not only require each provider to complete certification training, but also require that all consumer-facing employees and all promotional materials inform CareCredit customers about the different special financing options available to them and how those promotions work before choosing which option to use for their specific purchase.

CareCredit certification training is a multi-module curriculum consisting of multimedia presentations that demonstrate process flows, provide in-depth descriptions of the CareCredit credit card and standard account terms, and describe how promotional financing works and how to explain that to a consumer.

16. Are there any contract terms addressing the needs of patients who paid for services with a [CareCredit] card, but are in fact eligible for reduced cost or free care under a hospital's financial assistance with obligations?

CareCredit's multi-year agreements with large health systems specifically state that the CareCredit program is designed to operate alongside (and not part of or in lieu of) such system's existing assistance programs.

Schedule 1

<u>State</u>	<u>CareCredit Active Accounts (in 000's)</u>
California	724
Texas	688
Florida	626
New York	295
Georgia	239
North Carolina	239
Ohio	222
Illinois	212
Pennsylvania	205
Michigan	188
New Jersey	154
Arizona	151
Virginia	147
Tennessee	142
Indiana	135
Washington	115
Missouri	113
Colorado	111
South Carolina	105
Maryland	99
Massachusetts	93
Louisiana	92
Alabama	82
Wisconsin	82
Oklahoma	79
Oregon	76
Kentucky	75
Minnesota	69
Nevada	67
Connecticut	65
Arkansas	59
Mississippi	58
Kansas	44
Utah	41
Iowa	41
New Mexico	37
Idaho	35
New Hampshire	35
West Virginia	34
Nebraska	30

Maine	30
Delaware	18
Montana	17
Rhode Island	17
Puerto Rico	14
South Dakota	13
North Dakota	12
Vermont	11
Hawaii	11
Wyoming	10
Alaska	8
District of Columbia	5
Virgin Islands	1
Total	6,268