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Debt collection can be nasty, but it's necessary

BY JOHN ANDREWS, Contributing Writer

Nothing tears at a healthcare provider's conscience like debt collection. On one hand, clinicians tend to be compassionate by nature, and their training emphasizes healing patients above all else. However, hospitals and physician clinics are businesses that depend on revenues for their survival.

This long-time dilemma is exacerbated because debt collection is now stretched to the limit for patients, providers and payers as the nation's health insurance crisis worsens. Some 46 million Americans have no health insurance, and those that do are shouldering a higher percentage of fees and deductibles – as a result, healthcare expenses are pressuring patients and their families like never before.

Consumer advocacy groups like Washington-based Families USA paint a grim picture of the heavy financial toll of high healthcare costs, especially on the uninsured. Various surveys have cited mounting medical expenses as a major reason behind the surge in personal bankruptcies in recent years.

Ironically, individuals who must pay out of pocket for healthcare are the ones shouldering the highest prices because they don't have access to group discounts, says Kathleen Stoll, director of health policy for Families USA.

"Uninsured and underinsured American families face a double financial hit – not only are they forced to pay for all of their healthcare out of pocket, they are actually charged full price for their medical services," Stoll said. "Insurance companies can negotiate discounts ranging as high as 40 percent to 60 percent off the full price of health services. It's not surprising that more families must go into debt to pay for needed healthcare."

The inability to pay has caused a ripple throughout the payment continuum, resulting in "a healthcare affordability crisis," said Dawn Burriss, vice president at The TriZetto Group, a Newport Beach, Calif. -based healthcare technology firm that provides software and services to health insurers.

"It has become more difficult for employers to buy insurance," she said. "Benefits plans are getting more complicated and are negotiated so employees end up owing more, paying more out of pocket for the overall

cost of care."

Providers are stuck between their obligations to care for the uninsured and their need to collect unpaid debts.

"We see a lot of patients who can't afford our services no matter what type of payment schedule we set up for them," said Masoud Khorsand, MD, a practicing oncologist and CEO of a Roswell, N.M. -based debt collection service called Catalisse Revenuty. "The reality is that a certain amount of patients will never be able to pay you, and, ethically, we can't (refuse to treat them)."

Political Action

Prompted by groups like Families USA and the Hospital Debt Justice Project, state legislatures are considering measures designed to protect their constituents from being overcharged for services and to keep collection agencies at bay for as long as possible.

In 2006, California, Colorado, Illinois and New York approved such legislation. In previous years, Connecticut, Minnesota and Wisconsin also passed laws regulating hospital billing, pricing and collection practices.

For example, Illinois passed a law called the Hospital Fair Billing and Collection Practices Act, which "strictly prohibits collection agencies and hospital attorneys from using abusive, harassing, oppressive, false, deceptive or misleading language during the debt collection process."

In Connecticut, interest rates are capped at 5 percent for hospital debt, and for other debts, the maximum judgment is restricted to 10 percent. Additionally, special hearings must be conducted before wage garnishment or bank account access is granted to pay healthcare debts.

New York's law forces hospitals to let patients pay in installments and limits interest rates. Furthermore, creditors cannot foreclose on a patient's home or force the sale of a home to collect on a bill.

The changing regulatory landscape places providers in the difficult position of having to be sensitive to patients and know the boundaries of collection tactics while also exerting fortitude and determination to recoup amounts they are owed. Provider organizations such as the American Hospital Association have published guidelines to help providers navigate the collection

bramble. An AHA white paper, "The A/R Relationship – A Healthcare Debt Collection Primer," contends that "it boils down to three critical strategies: selecting the right outside billing or collection partner; setting clear indicators for success; and (constant communication) to create a relationship of confidence and trust."

Back To Billing Basics

While providers can do little about external regulatory forces, they can take more control within their internal spheres of control, billing specialists say. In reviewing why he started the Catalisse billing service three years ago, Khorsand points to the difficulties plaguing his own office.

"As I grew from a one-man practice to a five-physician clinic, our major issue was debt collection and aging accounts," he said. "Medicare cuts caused us to lose 15 percent to 20 percent of gross revenues from service point to billing point. Our very existence was at risk."

By working with a group of software technicians, Khorsand was able to design a system that plugged "revenue leaks" by strengthening efficiencies in electronic billing, patient bill generation, patient collections and medical transcriptions. The project grew into Catalisse, which focuses on billing and collections for physician groups.

Telling patients about their financial obligations before treatment is critical if providers are to protect themselves against potential defaults, TriZetto's Burriss said.

"My job is to help providers understand what they need to collect from patients," she said. "Patients typically don't realize the costs involved, and often, the provider doesn't either. They may end up owing the bulk of the cost of a procedure, and the only way they find out is through billing. The burden is then shifted to the provider for collection. These are the key drivers of the bad debt issue." ■



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