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Your Money/Your Health

Tips to prevent medical bills from getting overdue

To avoid damaging your credit score and hearing from a collection agency, open all mail from your doctors and insurers and work out any issues over bills with your doctor's billing office.

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Got a medical bill lying around in a kitchen drawer or office file?

Quick, go get it and then make some effort to pay or settle it, especially if the date on the bill goes back beyond 30 days. Without some attempt to resolve the bill, it will damage your credit rating, often badly. And that poor credit rating can mean higher rates for credit cards, cars and mortgages. It can even keep you from getting a needed loan or credit card.

"Medical bills are the most commonly reported non-revolving credit account sent to collection and reported on a U.S. consumer's credit report," says Mark Rukavina, director of the Access Project, a health advocacy group based in Boston. "But credit bureaus and lenders don't extend sympathy just because a bill was incurred for a medical necessity."

The key thing consumers should do, says Rukavina, is prevent the medical bill from being sent to a collection agency. Physicians and hospitals may be unlikely to report a patient to a credit bureau, but the collection agencies to whom they turn usually won't hesitate to do so.

Even if eventually paid in full, a bill that's been sent for collection remains on your record for up to seven years and can affect your credit worthiness, says U.S. Rep. Mary Jo Kilroy (D- Ohio). She's introduced legislation, the Medical Debt Relief Act, that would prohibit lenders from factoring in fully paid or settled medical debt when determining a consumer's credit score.

Those scores are used by banks and other lenders when making decisions on whether to lend money or extend a credit card or mortgage to a borrower. The legislation would require that delinquent medical accounts be removed from a consumer's credit report within 30 days of being paid in full.

With so many Americans unemployed or uninsured, it seems likely that many consumers might have a hard time paying health costs. In 2007 alone, more than 28 million Americans were contacted by debt collectors, according to a report from the Commonwealth Fund. Sara Collins, a vice president at the fund, says the number has almost certainly climbed since then.

But you can take some steps to keep the debt from being turned over to a collection agency.

Open and read all mail from doctors and insurers.

Insurers send so many pieces of mail that aren't bills that consumers sometimes overlook the real thing, says Tom Billet, a healthcare consultant with consulting firm Towers Watson in Stamford, Conn. Janice King, a healthcare analyst for research firm IDC in Framingham, Mass., says the rate of unpaid bills is currently at 30%, a loss that pushes some doctors and hospitals to turn bills over to collection bureaus if they go unpaid just 30 days.

Ask for help if confusion about the bill is keeping you from making payments.

A survey from Intuit of Mountain View, Calif., which publishes Quicken health expense software, found that more than half of respondents said they were puzzled by medical jargon on their bills, and 1 in 4 said the confusion led them to let bills go 90 days past due or be sent to a collection agency.

Confused? Start with the healthcare provider's office. The staff would much rather explain the bill than let it go unpaid. If no one there can clear up the confusion, call the customer service number on your insurance card and ask for help. If that doesn't work, file a formal complaint or an appeal, Rukavina says. The insurer's website or its customer service line should have information on how to do so.

Talk to the provider.

If the bill is in dispute, ask the doctor or hospital to hold off sending it to a collection bureau while you unravel any issues. You're likely to get a positive response, Billet says. Providers lose a percentage of the bill when it goes to a collection agency, so they'd prefer to work out a deal.

Negotiate payment.

If the bill is beyond your budget, talk to your provider's billing office and try to negotiate a repayment plan. You won't be off the hook, but the provider may be willing to work with you, especially if you offer to pay at least something on a regular basis. It's best to have the agreement in writing and to stay current with your payments.

In addition to working out a payment plan, providers may agree to drop some fees or even refer you to assistance sources.

"Most providers will be flexible if you demonstrate good faith in paying off the bill," Rukavina says.

Once a bill goes to collection, however, providers may not be able to take it back, and actions taken by collection agencies may be costly to your long-term financial health.

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