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# Cracking down on unpaid bills

## Hospitals seek ways to collect that won't trigger a PR crisis

By **Judith Messina**

Bracing for a recessionary tide of bad debt, New York area hospitals are grappling with a tough question this year: How far can a nonprofit go to collect the money it is owed, when it has a mission to help people?

Some hospitals are trying harder to help people enroll in government programs. Others are mining accounts to uncover missed revenue, turning over more receivables to collection agencies or—in a controversial new trend—using the Internet to auction off receivables or sell them outright.

If patients are unable to pay, hospitals sometimes reduce the amounts they owe, which can help those who'd otherwise not be able to pay at all. Hospitals may be forced to do that a lot more as cash-strapped consumers struggle just to pay the rent.

After spending six days at North Shore University Hospital in Manhasset with an *E. coli* infection a few years ago, then-uninsured New York City teacher Susan Halley went home with a bill for \$27,000—almost as much as her annual salary. Last year, she worked out an agreement that reduced the tab to \$8,000.

“I explained to them, 'I want to pay you, but I can't pay the amount you're asking,' “ says Ms. Halley.

Hospitals often have a tricky time collecting from patients. Patients who are uninsured face inflated bills because they aren't covered by the lower rates negotiated by insurers. Some people, angry at the size of the tab or seeing health care more as a right than a choice, may shove such bills to the bottom of the pile. The PR nightmare for institutions that push too hard can have big repercussions—especially when people have many hospitals to choose from.

### Compensation or bust

The recent increase in receivables nationwide leaves institutions little choice but to get more aggressive, however. The value of uncompensated care provided by U.S. hospitals rose to \$924 million in the third quarter of 2008, an 8% increase from the same period in 2007, the American Hospital Association says. The Healthcare Association of New York State estimates that hospitals here provide more than \$1.6 billion in uncompensated care every year.

Some hospitals are using the Internet to bid out receivables to third parties. Or they're auctioning old debt outright through middlemen such as Manhattan-based TriCap Technology Group or Medipent, which got its start in Manhattan and now operates out of Montana.

TriCap, which rolled out its platform in 2007, says it has a stable of 100 bidders and 200 hospital clients, with 70 in New York and New Jersey. The firm disposed of \$1.6 billion in medical receivables in 2008 and expects to double its volume this year.

New Island Hospital, which foresees a 10% increase in bad debt this year, is one of those seeking new approaches. In 2007, Drew Pallas, chief financial officer of the Bethpage, L.I., hospital, put \$7 million in written-off accounts out to bid using Medipent's online platform. It now has a contingency arrangement with ERC of Jacksonville, Fla. Mr. Pallas also recently sold \$8 million in old debt via Medipent, banking \$150,000.

“I like that it's competitive and there's a guaranteed return,” he says.

### **Care provider twice removed**

Hospitals that use middlemen approve the bidders, set the collection terms and choose the winning bids. But the practice worries some consumer advocates, because it creates a layer between patient and hospital.

“It may make people's ability to negotiate with collectors more challenging,” says Mark Rukavina, executive director of The Access Project.

Many hospitals are redoubling efforts to connect patients to financial aid sources, including Medicaid. New Island has expanded its financial counseling service. The North Shore-Long Island Jewish system has increased its staff of counselors and expanded services to people who are at 500% of the poverty level, up from 300%.

In this economy, debt collectors are walking a tightrope, observers note.

“I'm reaching a patient who visited the hospital months ago, going after \$300 in deductibles, and the patient is out of work,” says Ed Berenblum, health care GM at Genpact, which provides billing services. “You cannot forget that.”

### **UNEASY MONEY**

NYS hospitals' bad debt and charity care, in billions of dollars.

**2002** \$1.563

**2003** \$1.573

**2004** \$1.646

**2005** \$1.640

**2006** \$1.678

Source: NYS Department of Health