

Managing Medical Debt

Foundation Communities' Financial Coaching Program
July 28, 2017

Many clients have unpaid medical bills and medical collections. Today we will discuss how to help clients with outstanding medical debts before and after they go to collections.

To help clients address unpaid medical bills before they go to collections, encourage the client to:

1. Review bills to ensure they are correct
2. Negotiating Payment Restructuring
3. If eligible, apply to Medicaid, they may cover medical costs incurred before coverage starts
4. Access Charity Care and Financial Assistance Programs

Review bills to ensure they are correct

- a. **Summary bill.** Most medical providers will automatically send out a summary bill. It will include detailed information about the amount of money you owe, when it is due and how to pay it. It will not, however, give you much information about what exactly you are paying for.
 - a. For example, this bill simply says "Pharmacy." If you got a bill like this from any other service, you would ask for more details!

Your payment is due:		July 27, 2015
Your balance due is:		\$153,161.25
SUMMARY OF PATIENT SERVICES		
PHARMACY		\$83,341.25
LABORATORY SERVICES		\$22,433.00
INTERMEDIATE CARE ROOM		\$21,225.00
INTENSIVE CARE ROOM		\$17,766.00
EMERGENCY CARE SERVICES		\$5,564.00
THERAPY SERVICES		\$1,423.00
RADIOLOGY		\$947.00
SPECIAL SERVICES		\$462.00
TOTAL CHARGES		\$153,161.25
ACCOUNT SUMMARY		
Service Date	07/04/15 to 07/09/15	
Type of Service	EMERGENCY-IP	

Source: News 5 Cleveland "Rattlesnake bite cost man more than \$150,000 in medical bills"

- b. **Itemized bill.** Providers must give you an itemized bill if you ask for it, but you have to ask for it.

SERVICE DATE	DESCRIPTION	QTY.	AMOUNT
	*** 250 PHARMACY GENERAL ***		
06/27/14	5010790000 SCOPOLAMINE 1.5 MG PATCH; SCOPOLAMINE HYDROBR 1.5 MG PATCH	1	87.21
06/27/14	5202506000 LIDOCAINE/EPINEPHRINE 20ML VL; LIDOCAINE 1%/EPI 1:100,000 20 ML MD	1	12.50
06/27/14	5002419000 BUPIVACAINE HCL 30 ML AMP; Bupivacaine HCL/PF 0.5% 30 ML VIAL	1	12.50
06/27/14	5011543000 ROCURONIUM BR 10MG/ML 5ML VL; ROCURONIUM BR 10 MG/ML 5 ML VIAL	1	17.15
06/27/14	5009420000 GLYCOPYRROLATE 0.2MG/ML 2ML VL; Glycopyrrolate 0.2 MG/ML 2ML VIAL	1	12.50
06/27/14	5011580000 LIDOCAINE HCL 5 ML AMP; Lidocaine HCL 1% 5 ML AMP "PF"	1	12.50
06/27/14	5201878000 PROPOFOL 10 MG/ML 20 ML VIAL; Propofol 200 MG/20 ML VIAL	1	12.50
06/27/14	5003899000 HYDROMORPHONE 1MG/ML AMP; HYDROMORPHONE HCL PF 1 mg/ml 1 ml A	1	18.00
06/27/14	5009755000 0.9% SODIUM CL 20 ML VIAL; Normal Saline 20 ML VIAL "PF"	1	12.50
06/27/14	5008495000 PROMETHAZINE 25MG/ML AMP; Promethazine HCL 25 mg/ml Vial	1	12.50

			209.86
	*** 258 PHARMACY IV SOLUTIONS *** <i>3L fluids?</i>		
06/27/14	5401275000 SOLN LR 1000	2	146.00
06/27/14	5401295000 SOLN SOD CHL 1000; SOLUTION IV .9 NACL 1000ML	1	73.00

			219.00
	*** 270 M/S SUPPLY GENERAL ***		
06/27/14	5801905000 ENDOTRAC TUBE	1	9.00

			9.00
	*** 272 M/S SUPPLY STERILE SUPPLY ***		
06/27/14	2501118150 CANNULA KII FIXATION 5X100; CANNULA KII FIXATION 5X100	2	70.00
06/27/14	2501437000 CLIP APPLIER MED ER320/ER420; CLIP APPLIER MED 10MM ER320	1	379.00
06/27/14	2501661000 ENDO SHEARS 176607; SCISSOR	1	305.00

Source: Reddit user AEM6729

- c. **Now what?** Once you receive the itemized statement, you most likely won't know what every line item means, unless you have a background in healthcare or healthcare billing. There will be a numerical code and an item description. The description might be shortened or might be a term you are unfamiliar with
- Ask the provider's billing department.** If you're not sure of what an item is, you can contact the provider's billing department and question it.
 - Make sure you actually received everything on the bill.** It's common to be billed for something that your doctor had written an order for but was cancelled for a number of reasons.
 - Look for duplicate charges.** This can be done without medical billing training, just attention to detail. Just look to see if you see the same charge on the bill more than once. If you know that you did not receive that item or service more than once, contact the billing department to dispute the duplicate charge. Request that an updated, corrected itemized bill be sent to you. It's also common to have duplicate charges camouflaged by other charges. For example, you might have been charged

- for a surgical kit and have separate charges for tools used in your surgery. However, the surgical kit may have included those tools in it.
- d. **Check for inflated charges.** Medical care is expensive. However, you do not have to pay inflated charges. Medical Billing Advocates of America reports inflated charges such as \$15 for a single aspirin and \$53 for disposable gloves.
 - i. **Use free resources.** The [Healthcare Bluebook](#) and [FAIR Health](#) are free resources that allow you to see average prices for a variety of medical services in your area. You can search by zip code and select from service categories. These can be a great tool to help you identify inflated charges.
 - e. **Check if your insurance company should have covered more of the bill.** Another factor leading to surprise medical bills is insurance coverage. Understanding your insurance policy can be just as confusing as trying to understand your medical bill.
 - i. Keep an eye out for any items that your health insurance carrier wants to deny. Sometimes a different procedure is done or one is done in addition to what was originally scheduled.
 - ii. The billing department could make a mistake and incorrectly bill your health insurance for the incorrect procedure.
 - f. **Appeal denials by your insurance company.** Be sure to educate yourself on what your policy covers and what it will not, so that you can appeal any denials from your health insurance company. If you feel that you have been incorrectly denied, be sure to appeal the denial. Under the Affordable Care Act, your insurer must reach a decision about your appeal within a specified time frame. If you have already received the healthcare service, they have 60 days to reach a decision. If you have yet to receive the treatment, they have 30 days to reach a decision. They must reach a decision within 72 hours if you are appealing a claim for an urgent care facility.
 - g. **Stay calm and ask on.** This may sound overwhelming, but don't be afraid to ask questions of your medical provider and insurance company until you are sure you are only paying for what you got and are fairly responsible for.

Negotiating Payment Restructuring

- a. **Bill Reduction.** Use the free resources out there like Healthcare Bluebook and FAIR Health as a negotiating tool. Pointing out that they are charging significantly more than the average cost in the area will give you leverage when asking for a reduction in the bill.
- b. **Payment Plan.** Most medical providers are not in the business of bill management. However, many of the larger providers partner with companies that are. You can request a payment plan from your medical provider, and they may set up a payment plan for you, or they may connect you to a bill management company which will take your payments and manage your account.
- c. **Lump Sum.** One strategy for negotiating repayment is to offer a lump sum. This gives cash to the provider immediately, which they might prefer to a payment plan that they will need to manage for months or years. This also protects them against the risk that you might not

be able to pay, in which case the account would be sent to collections. When this happens, they get much less money than if you pay a substantial lump sum. You may be able to negotiate a substantial discount this way. Don't offer more than what you are actually able to pay. You may be able to get up to 50% off for paying a lump sum.

Medicaid

As you know, Texas chose not to expand Medicaid eligibility under the Affordable Care Act. Medicaid continues to be difficult to qualify for.

However, if clients are eligible for Medicaid, they may be eligible for coverage during the three-month period before the month they apply for Medical Programs. Prior coverage may be continuous or there may be interrupted periods of eligibility involving all or some of the certified members.

Between 2013 and 2014, inpatient hospital stays for uninsured patients in expansion states dropped by over 44 percent, as reported by the Kaiser Family Foundation. In states that did not adopt expansion, inpatient stays rose by nearly 6 percent.

Emergency Medicaid

Clients who suffer a serious medical emergency may also qualify for Emergency Medicaid if they are uninsured and meet the Medicaid income limits. Emergency Medicaid eligibility begins on the start date of the emergency medical condition verified by the attending practitioner.

Charity Care

Charity care programs vary across medical facilities, but funding is limited. Clients should ask their medical providers if they qualify for charity care if they are not able to pay their bill.

The Affordable Care Act (ACA) mandated nonprofit hospitals meet several requirements in order to meet their tax exempt standing.

These requirements include limiting the cost of medically necessary care for those eligible for charity care and ensuring a patient's assistance eligibility status early on.

The regulations do not determine who is eligible for charity care. The hospital is responsible for creating its own policy. This policy must state eligibility criteria, whether qualified patients will receive discounted care or free care, how charges are calculated, and what determines a patient's qualification. They must make sure that all patients who qualify for charity care receive it, as outlined by that facility's regulations.

Collections

Unlike most other collection companies, many medical collection companies work closely with the medical providers, and are often the same companies that manage payment plans. This means that they are trying to collect as much money as they can for the medical provider, as opposed to other collection companies, which buy the debts for pennies on the dollar and will make a profit even if they just collect a small portion of the total debt. On the other hand, this also means that you can still get an itemized bill and use the same strategies as with the medical provider.

Credit Implications. In general, once accounts go to collections, they have done all the damage they are going to do to one's credit. Further implications are listed below.

Settlement/Lump Sum

If you can't pay a medical collection in full, settling may be an option. Try offering the collector one third of the total balance and negotiate from there. Never offer more than you can actually pay. Just like the original provider, they are typically interested in a deal that guarantees them the money upfront. Keep in mind that their willingness to do this may be a little different depending on who they represent. If they are representing the medical provider, then they may have limited flexibility. If they have purchased your debt from the medical provider for pennies on the dollar, they might take a deal pretty quickly.

Tax Implications. Any amount forgiven that exceeds \$600 can be declared as income, so you should receive a 1099 at the end of the year and it may have tax implications.

Credit Implications. In general, settling a collection debt creates its own negative effect on your credit report, but medical collection accounts paid in full are ignored in the newest credit score calculation, FICO 9. But, there are two caveats.

First, not all lenders are using FICO 9, the new score that treats medical debt in this favorable way. So, there's no guarantee that you will reap this benefit.

Second, FICO still uses any negative marks created by the account before it was sent to collections in its calculation of your score. This means that if the original creditor or medical provider reported you to the credit bureaus as delinquent or "late" before sending the account

to collections, you cannot undo that negative impact. This is rare, but you should be aware of the possibility.

Prioritizing your Repayment

If you have a complex medical procedure, or a visit to an emergency facility, chances are you have more than one medical bill. If multiple medical bills are in collections, the following recommendations will help you ensure that you have the most positive outcome.

- 1. How old is the debt?** We recommend working on the newest debts first. The collections account will negatively affect your credit for seven years if you don't pay it off. If you are nearing the seven-year period, you may receive less net benefit to paying off the account, since it will soon be off anyway.

The only exception is if the creditor is taking legal action against you. In this case, you should appear in court if summoned, explain your situation and make a payment arrangement.

- 2. Did the original creditor report directly to the credit bureaus?** It will be helpful for you to know whether you are facing one type of negative mark (the collection activity), or two (the collection activity and the delinquent payment to the medical provider). To know this for sure, you will want to review your credit report. Once you have this information in hand, you can better evaluate how to move forward. Paying off the collection account will have a positive impact to your credit score, but if the original delinquency is also listed, the positive impact may be less significant.

- 3. What is the statute of limitations?** While the debt will affect your credit score for seven years, that's actually different than your legal responsibility to the debt. That's determined by the statute of limitations. In Texas, the statute of limitations is 4 years from the date of the last payment. There's no legal reason to pay off a debt beyond the statute of limitations, but it might still help your credit.

Sources

<https://billadvocates.com/>

Charity Care Assistance

Decoding your Medical Bill

<https://revcycleintelligence.com>

The Affordable Care Act's Effect on Hospital Charity Care

<http://www.aha.org/>

Fast Facts on US Hospitals

<https://hhs.texas.gov/>

Medicaid Eligibility

<https://www.clearpoint.org/blog/should-i-pay-a-medical-bill-in-collections/>

Should I Pay a Medical Bill in Collections

How to Negotiate Medical Expenses Before and After You Receive a Bill

<http://www.kff.org/>

New Analysis Shows States with Medicaid Expansion Experienced Declines in Uninsured

Hospital Discharges

