

Reading and Negotiating A Client's Medical Bills

Just because a client is not eligible for government programs or a hospital's charity care program does not mean all is lost. Most hospital bills contain both billing errors and items that are priced far beyond their cost.¹ The importance of careful scrutiny of medical bills can arise under several scenarios, and the stage at which your client is in the collection process may determine what amount of time and money should be spent to contest the charges.

The following strategies for determining what your client may owe are ordered from the simplest to the most involved. Some of the simpler steps should be taken even when applying for a sliding scale or charity care program as they can save the client money, even on a reduced bill. However, in the face of a collection suit, calling a professional or at least closely comparing the bill to the medical record and the hospital's standard charges will be necessary.²

1) Request that your client ask for an itemized copy of the medical bill.

Usually clients are initially sent a summarized version of the hospital bill stating a few broad categories of charges and the total cost. However, by obtaining an itemized bill, you may find some obvious errors. Make sure the dates noted on the bill match the dates your client actually received treatment. Check to make sure there are no absurd data entry errors such as numbers with zeros added on (e.g. 10 instead of 1 chest X-ray) or duplicate listings of major procedures. If other items seem to be excessive or inappropriate for the client's particular condition, ask the client if she remembers receiving those services. Of course, there are limits to this type of review. The client may have not been conscious or may not have been otherwise aware of each item involved in a procedure or each drug administered, yet some inconsistencies may be apparent.

2) Request that your client obtain a copy of her medical chart and pharmacy ledger.

The medical chart and the pharmacy ledger (which shows all drugs administered), gives the complete picture of your client's hospital stay. By comparing the medical chart and the pharmacy ledger to the itemized hospital bill, you can determine if the client is being charged for goods or services she did not receive. Clients have a right to copies of all of these things, but may be charged for reasonable photocopying expenses. You can check errors such as procedures billed for but not in the record, procedures billed for more times than listed in the record, procedures or medications ordered and then subsequently cancelled, medications or other items refused by the client, or operating room time that is billed for longer than the surgery lasted.

3) Compare your client's bill to the hospital's standard charges.

California's Payer's Bill of Rights requires hospitals to make their standard charges available

to the public for all products and services in a document called a “chargemaster.”³ Currently, this is available on CD-ROM through the Office of Statewide Health Planning and Development (OSHPD)⁴ or through the hospital itself. Be aware that this information is generally voluminous. As each hospital must update its chargemaster annually with OSHPD, the pricing should not vary significantly from the hospital bill.

4) Look for items billed due to the hospital’s negligence.

Generally, when a hospital makes an error, the client pays. If an X-ray is lost or the results of a blood test are misplaced, those procedures will be redone and your client will be billed. Even if you are not defending a collection suit, it is reasonable to ask that your client not pay for the hospital’s errors. Similarly, if your client becomes infected due to improper procedures, such as a staph infection from leaving an IV in too long, your client should not have to pay for that negligence.⁵ In a non-emergency situation, sometimes the hospital’s own scheduling errors for tests or surgeries will result in longer hospital stays. Charges based on delays caused by the hospital should be challenged.

5) Obtain the services of a professional bill reviewer.

If you have tried the abovementioned techniques and still think the bill is too high, it might be time to call a professional bill reviewer, also known as a claims assistant professional. You should take this step if lowering the amount of the bill will actually make a difference in your client’s situation. For instance, if your client is being sued and is not judgment proof, or if negotiating a payment plan might actually be possible but you have already done everything you can think of to lower the bill, professional scrutiny may help. Look for a reviewer who charges by the hour (or portion of an hour) rather than on a contingency basis.⁶ If you cannot readily find errors, bill reviewers have more expertise with standard billing practices. For example, they can check the diagnosis codes to see if an ailment has been “upcoded” to a more serious condition than what the medical chart states, determine if some charges were added that are already contained in other bundled charges, and have the expertise to know what is beyond the industry standard. Most reviewers will also assist in negotiating with the provider or testifying as experts in collection defense if contracted to do so.

6) Determine if there are overcharges.

In addition to billing errors, uninsured persons generally are overcharged by providers to compensate for lower rates of reimbursement offered to the government or private insurance providers. An overall picture of the cost of care can be determined by calculating a hospital’s cost-to-charge ratio to gain a general picture of how much the services billed actually cost the hospital.⁷ While this will not give you the specific cost of any one item billed, it will give you an idea of the general billing practices of the hospital. In *Defending Hospital Collection Cases*, Alan Alop outlines other factors that cause costs to be shifted to clients from simple excessive charges for items to more complex accounting

to accommodate for teaching programs, administrative waste, and variable pricing to account for other payers.⁸ While this may not be useful information to tell a hospital, understanding how costs are shifted will inform your negotiations with a hospital and some of these shifts may actually help in collection suit defenses.

7) Determine whether your client should pay part of the bill.

Setting up a payment plan is fine as long as the charges are legitimate, the client can make the payments, and the debt will eventually be paid. However, the blanket advice offered by several well-meaning consumer advocates that clients pay a small portion of the bill as a sign of good faith while they are trying to negotiate payments with a hospital should not be blindly offered, particularly by attorneys. This is not good advice to give without taking into consideration the individual client's circumstances as paying anything could harm the client's ability to raise certain defenses in the event that she has to defend a collection suit. When a client pays a portion of the bill, the client is essentially agreeing that she owes the amount billed. Of course, this does not mean that the delinquent debt won't show up on the client's credit report or that the provider will not sue, but you can assure your client that she cannot go to jail over debts owed. In determining whether to pay a portion of the debt, it is necessary to compare the size of the debt to the client's resources, determine factors such as whether the client's income and assets are exempt from being collected on in the event of a judgment and are likely to stay that way, and determine whether the bill contains inflated or erroneous charges that the provider refuses to remove. Contact a consumer attorney if you are not certain as to the advice in this area.

If you and your client determine that negotiating with the hospital is the best avenue, try to work out a reasonable payment plan, or if your client can afford it, offer the hospital a lump sum. Many clients, although indigent, are still quite concerned about their credit, particularly if it can have negative effects on their immigration status⁹ or if their financial situation is likely to improve in the future. Always be sure to write out an agreement which both parties sign for any payment plans or lump sum settlements that includes removing negative reports to credit bureaus.¹⁰ Once the debt is paid off, either through a lump sum or the completion of a payment plan, ask that the provider immediately send a new statement of account that reflects the zero balance.

Additional Resources

The following resources may be useful in learning more about reading and negotiating medical bills:

“Decoding Hospital Bills.” Consumer Reports. January 2003. Available at <http://www.consumerreports.org/cro/personal-finance/decoding-hospital-bills-103/overview.htm>.

In addition to the article, if you click on “Six common billing errors” in the left-hand column, there is an example of a hospital bill with a comparison to what was stated on the medical chart that explains where errors can occur.

Defending Hospital Collection Cases. Legal Assistance Foundation of Metropolitan Chicago. Alan A. Alop. July 2005. 289 pp. Available through National Center on Poverty Law. In addition to all of the other defenses this manual describes, in Chapter Six, under “Reasonable Value of Services,” pp. 48-74, there is a lengthy explanation of the ways a hospital bill may be challenged in the collection suit context. Some of this information is also useful for informal negotiation and as background on hospital pricing in general. Much of the information is condensed in Illinois Legal Aid’s “Consumer Guide to the 20 Most Common Ways Hospitals Overcharge Patients” available at http://www.illinoislegalaid.org/index.cfm?fuseaction=home.dsp_content&contentID=1422.

“How to Check-up on Your Hospital Bills.” The Health Pages. Available at [http://www.thehealthpages.com/articles/ar-\\$hosp.html#bill](http://www.thehealthpages.com/articles/ar-$hosp.html#bill).

This article also provides tips on finding errors in hospital bills and a sample bill to illustrate.

Unhealthy Pursuits: How the Sick and Vulnerable are Harmed by Abusive Medical Collection Tactics. National Consumer Law Center. Steve Tripoli and Chi Chi Wu. December 2005. Available at: <http://www.consumerlaw.org/news/content/medicaldebt.pdf>.

Chapter Six of this publication, “Advice for Consumers,” gives tips on finding errors and excessive charges in bills and on how to prioritize medical bills vis-à-vis other debt

ENDNOTES

- 1 In fact, according to a commonly cited *New York Times* article, the Government Accountability Office estimated that 99% of hospital bills contain overcharges. Elisabeth Rosenthal. “Confusion and Error Are Rife in Hospital Billing Practices.” *The New York Times*. Late Ed. January 27, 1993 at C16.
- 2 While this issue brief focuses on hospital bills received by the uninsured, many of these techniques can be used for any medical bills and for an insured client’s portion of the bill.
- 3 CA Health & Safety Code 1339.50 et al. Additionally, The Payer’s Bill of Rights has recently been amended to require hospitals to provide written estimates for non-emergency services, beginning July 2006.
- 4 See <http://www.oshpd.ca.gov/hid/hospital/chrgmster/index.htm>.
- 5 If the negligence is significant enough, you should refer your client to a medical malpractice attorney. One place to find referrals is through the website of the professional organization The Alliance of Claims Assistant Professionals www.claims.org.
- 6 Some professionals also offer discounted rates to legal services or low-income patients, so be sure to explain the circumstances of your request thoroughly.
- 7 Cost-to-charge ration can be determined by dividing a hospital’s total operating expenses by its gross patient revenue. Thus if a hospital’s total operating expense are \$50,000,000 and its gross patient revenue is \$200,000,000 then the cost-to-charge ratio is .25. Thus, for a \$10,000 bill, the services cost the hospital approximately \$2,500. The raw data is available through the OSHPD at <http://www.oshpd.cahwnet.gov/HQAD/Hospital/financial/hospAF.htm>.
- 8 See the entry in the “Additional Resources” portion of this issue brief.
- 9 If clients have large enough delinquent bills or claim to be judgment proof in face of a collection judgment, they may be deemed a public charge. If an immigrant is found to be a public charge, she may be denied readmission to the United States, adjustment of status to lawful permanent resident, or in rare cases, deported. There is not cut and dry rule, as the test for public charge is based on a totality of the circumstances, and if the immigrant’s only credit problem arose out of a medical emergency, presumably it could be overcome by other factors. See 8 U.S.C. § 1182(a)(4)(B). Some immigrants, mainly refugees and asylees, are excluded from this determination. See 64 Fed. Reg. 28689.
- 10 Another option, particularly if no one at the hospital will sign or return an agreement, is to write a confirmation letter to the hospital referring to the agreement made and informing the hospital they must respond within a certain number of days if the information is incorrect. Send this information by certified mail.