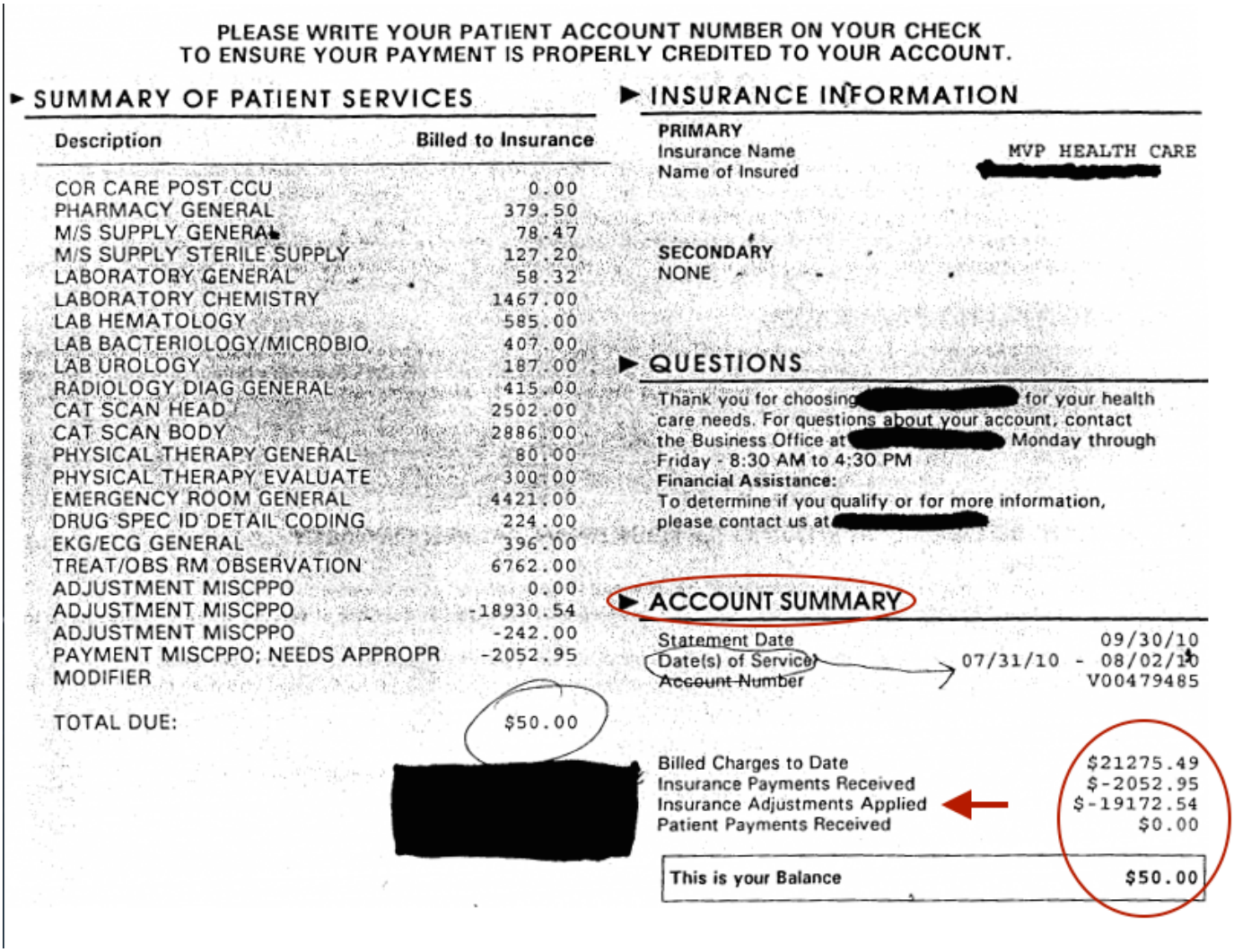
Hospital Billing

Spending time in the hospital is very expensive. Rather than giving you an itemized list of everything that might go into a hospital stay, I'll talk about something that should be almost as good: bills from a hospital, complete with final reimbursement amounts. That should give us a pretty good idea of the value of hospital services, since insurance companies have access to all the costs and specialize in being able to offer the minimum amount any institution is likely to accept.

What I'll show are copies of two actual hospital bills to patients. I'll use them to take you through some of the typical aspects of hospital billing and insurance reimbursement. And, as you've probably guessed, it's going to look a little strange.



PLEASE WRITE YOUR PATIENT ACCOUNT NUMBER ON YOUR CHECK
TO ENSURE YOUR PAYMENT IS PROPERLY CREDITED TO YOUR ACCOUNT.

► SUMMARY OF PATIENT SERVICES

Description	Billed to Insurance
COR CARE POST CCU	0.00
PHARMACY GENERAL	379.50
M/S SUPPLY GENERAL	78.47
M/S SUPPLY STERILE SUPPLY	127.20
LABORATORY GENERAL	58.32
LABORATORY CHEMISTRY	1467.00
LAB HEMATOLOGY	585.00
LAB BACTERIOLOGY/MICROBIO	407.00
LAB UROLOGY	187.00
RADIOLOGY DIAG GENERAL	415.00
CAT SCAN HEAD	2502.00
CAT SCAN BODY	2886.00
PHYSICAL THERAPY GENERAL	80.00
PHYSICAL THERAPY EVALUATE	300.00
EMERGENCY ROOM GENERAL	4421.00
DRUG SPEC ID DETAIL CODING	224.00
EKG/ECG GENERAL	396.00
TREAT/OBS RM OBSERVATION	6762.00
ADJUSTMENT MISCPPO	0.00
ADJUSTMENT MISCPPO	-18930.54
ADJUSTMENT MISCPPO	-242.00
PAYMENT MISCPPO; NEEDS APPROPR	-2052.95
MODIFIER	
TOTAL DUE:	$50.00

► INSURANCE INFORMATION

PRIMARY
Insurance Name MVP HEALTH CARE
Name of Insured [redacted]

SECONDARY
NONE

► QUESTIONS

Thank you for choosing [redacted] for your health care needs. For questions about your account, contact the Business Office at [redacted] Monday through Friday - 8:30 AM to 4:30 PM
Financial Assistance:
To determine if you qualify or for more information, please contact us at [redacted]

► ACCOUNT SUMMARY

Statement Date	09/30/10
Date(s) of Service	07/31/10 - 08/02/10
Account Number	V00479485

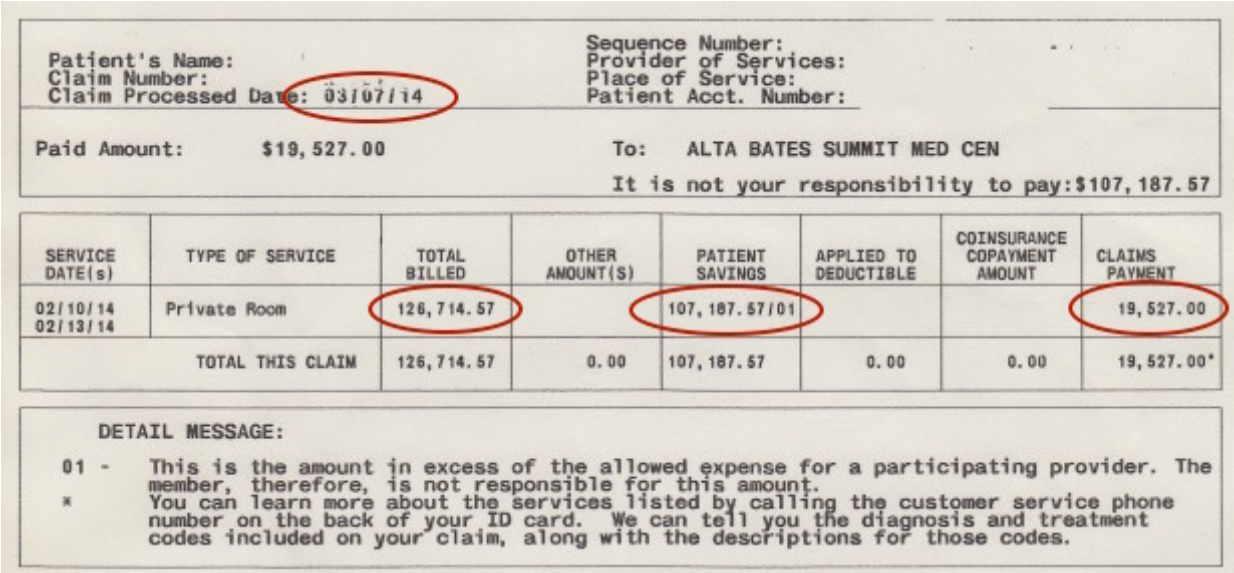
Billed Charges to Date	$21275.49
Insurance Payments Received	$-2052.95
Insurance Adjustments Applied	$-19172.54
Patient Payments Received	$0.00
This is your Balance	$50.00

(http://truecostofhealthcare.net/wp-content/uploads/2014/12/HospitalBill.png)

Figure 1: Hospital Bill

The first bill is for a patient who spent two days in the hospital, and has private insurance (a Medicare advantage program). Let's see how the numbers add up. In the bottom right corner is the Account Summary. From the first line, you can see that the total bill came to $21,274.49, or about $10,000/day for two days. (The services leading to that cost are on the left: a couple of $2,500 CAT scans, a $4,400 ER charge, etc.)

On the next line is the amount the insurance company paid: $2,052.95—just less than 10% of the total due! Ouch! Doesn't that leave the patient on the hook for the remaining $19,172.54 (still about $10,000/day, which would be a little hard on most of us)? No, because the next line is the insurance **Adjustment**, which is the amount that the insurance company miraculously convinces the hospital to forgive. In the end, the hospital charges twenty-one thousand dollars, the insurance company pays two thousand dollars, the patient pays fifty dollars (that's right, just $50) and the rest just goes away.



Patient's Name:
Claim Number:
Claim Processed Date: 03/07/14
Sequence Number:
Provider of Services:
Place of Service:
Patient Acct. Number:

Paid Amount: $19,527.00
To: ALTA BATES SUMMIT MED CEN
It is not your responsibility to pay:$107,187.57

SERVICE DATE(s)	TYPE OF SERVICE	TOTAL BILLED	OTHER AMOUNT(S)	PATIENT SAVINGS	APPLIED TO DEDUCTIBLE	COINSURANCE COPAYMENT AMOUNT	CLAIMS PAYMENT
02/10/14 02/13/14	Private Room	126,714.57		107,187.57/01			19,527.00
	TOTAL THIS CLAIM	126,714.57	0.00	107,187.57	0.00	0.00	19,527.00*

DETAIL MESSAGE:

01 - This is the amount in excess of the allowed expense for a participating provider. The member, therefore, is not responsible for this amount.
* You can learn more about the services listed by calling the customer service phone number on the back of your ID card. We can tell you the diagnosis and treatment codes included on your claim, along with the descriptions for those codes.

(http://truecostofhealthcare.net/wp-content/uploads/2014/12/EyeSurg2.jpeg)

Figure 2: Hospital Bill

This second bill is for a patient who spent three days in the hospital and has completely private health insurance. This patient had some complicated surgery performed on his eye. Now, the Account Summary is a bit different on this bill. The total billed is well over one hundred thousand dollars ($126,714.57); enough to bankrupt just about anyone. The next column over is “patient savings” which is just another term for the adjustment or the insurance discount. In this case, the discount is also well over one hundred thousand dollars (again, almost the entire bill). The insurance payment in this case ends up being just under twenty thousand dollars ($19,527). This time, the patient owes nothing.

So the hospital bills the insurance company the price of a luxury sports car and the insurance company returns a payment that’s only enough to buy a Honda Civic. What’s going on here?

How Hospitals Create Their Bills.

The method of reimbursement for a hospitalization differs substantially for different insurance companies. It’s not just that the rate is different for each service, but that different payers will reimburse different services. Medicare, for example, bases their reimbursement rate solely on the patient’s diagnoses. A diagnosis of pneumonia will get a fixed Medicare payment regardless of how long the patient stays in the hospital, what tests are ordered or what treatment is given. Other payers might pay by the day, or for each individual service. But the hospitals do all their bills the same way, no matter who the payer is. So the best way for them to get paid is to put anything that might be reimbursed by any payer on *every* bill.

An insurance company will happily ignore the things it doesn't intend to pay, but will never add anything the hospital leaves out. It will also happily pay less than the hospital asks, but certainly will never pay more. In other words, there is no penalty for billing too much for a service, but if the hospital doesn't bill enough, it short changes itself. The only potential penalty would be for billing for a service not provided or a diagnosis not justified.

Now let's look at what all this means. When a business sends a bill, to you or to another business, you pretty much expect the bill to show the value of what they provided, and therefore what they expect to be paid. But an insurance company pays the hospital based on pre negotiated rates, no matter what the bill asks for. The hospital can turn away all patients with that insurance, of course but, for each insurance company, that would mean turning away a lot of patients—the insurance companies are now very big (http://truecostofhealthcare.net/wp-content/uploads/2015/08/Health-Insurance-Summary-1.pdf).

So because the hospitals know that they'll only ever get less than what they bill, the process of hospital billing has stopped being a normal business transaction, and turned into something more like a kid daydreaming about his Christmas list. But it works, (well, not really), as long as it's just a game between the hospital and the insurance company.

Here is where it goes Totally Wrong.

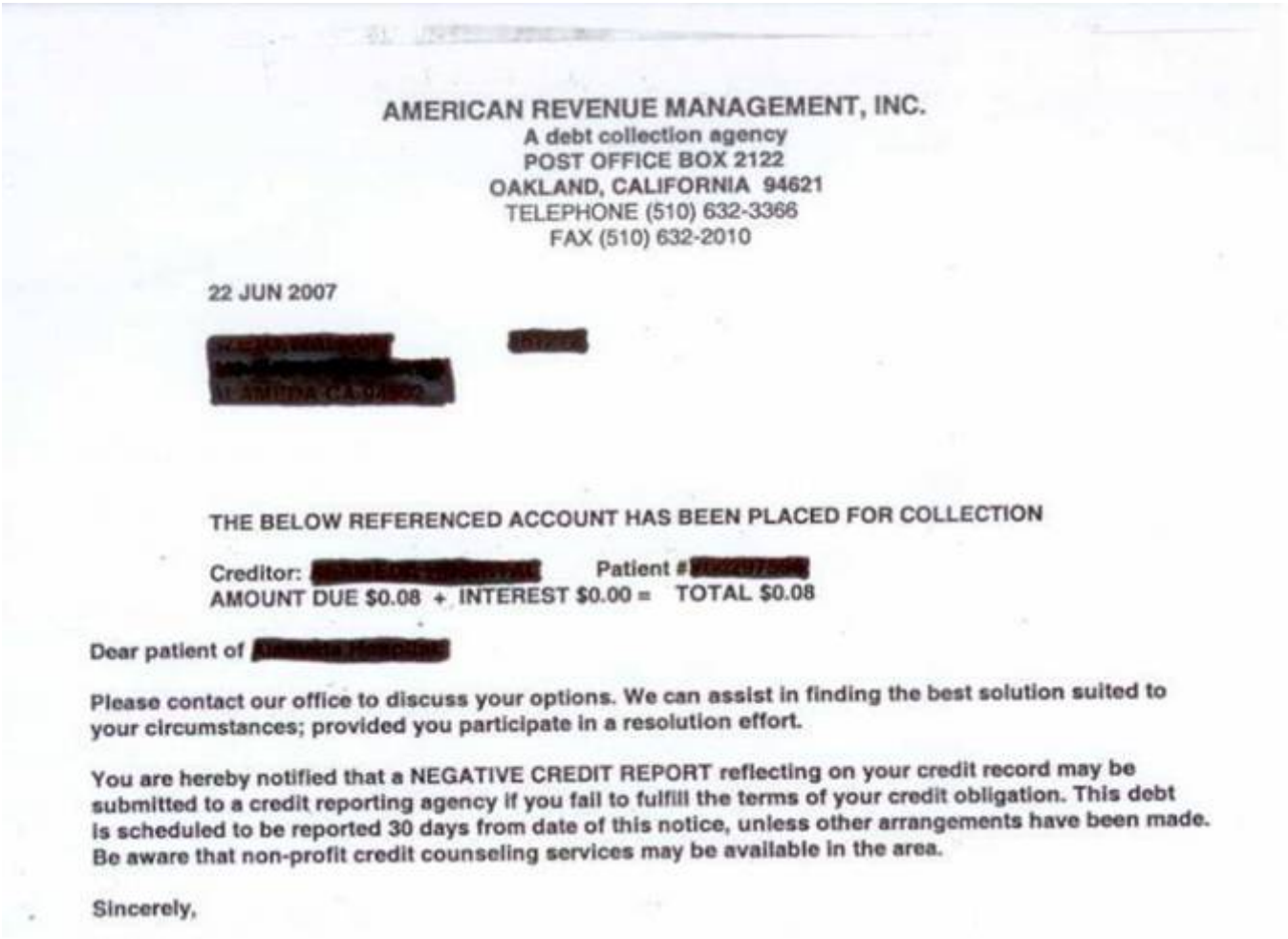
Hospitals see no problem in sending bills to insurance companies for five to ten times the amount that they actually expect, because they are simply playing the game that the insurance companies fashioned. But remember, they only produce one kind of bill, and it's designed to send to someone who holds all the cards (an insurance company), and so can just refuse to pay anything they didn't already agree to pay. That's their game.

But what happens when you have to play the game with the hospital alone (if you don't have insurance, or if your insurance doesn't cover that stay for some reason). Then you're on the hook for the entire amount (http://truecostofhealthcare.net/wp-content/uploads/2014/12/Jeff_Kortan.313113103.pdf). Most hospitals have a policy that allows people to negotiate for a lower amount, but most people don't know this. And don't expect the hospital to tell you about it, let alone help out. So even if you can remember to negotiate while you're convalescing from a long hospital stay, good luck trying to get the deal the insurance company gets.

For the average person, this is no small matter. In the first case, a two day hospitalization that the insurance company got for $2,100 (after the insurance adjustment), would cost an uninsured person over $21,000. The adjusted charge ($2,100) would be a pretty nasty kick in the finances for

most families, but they could bounce back. The unadjusted charge, which is what you'll get if you don't have insurance, is an almost certain trip to bankruptcy.

And you'd better believe the hospitals will go after you for every penny. Here's a copy of a letter one of my patients brought me.



AMERICAN REVENUE MANAGEMENT, INC.
A debt collection agency
POST OFFICE BOX 2122
OAKLAND, CALIFORNIA 94621
TELEPHONE (510) 632-3366
FAX (510) 632-2010

22 JUN 2007

[redacted]

THE BELOW REFERENCED ACCOUNT HAS BEEN PLACED FOR COLLECTION

Creditor: [redacted] Patient #[redacted]
AMOUNT DUE $0.08 + INTEREST $0.00 = TOTAL $0.08

Dear patient of [redacted]

Please contact our office to discuss your options. We can assist in finding the best solution suited to your circumstances; provided you participate in a resolution effort.

You are hereby notified that a NEGATIVE CREDIT REPORT reflecting on your credit record may be submitted to a credit reporting agency if you fail to fulfill the terms of your credit obligation. This debt is scheduled to be reported 30 days from date of this notice, unless other arrangements have been made. Be aware that non-profit credit counseling services may be available in the area.

Sincerely,

(http://truecostofhealthcare.net/wp-content/uploads/2014/12/image002.191102622_std.jpg)

As you look at this letter, remember: This 8 cent debt was SOLD to a collection agency, and they used a 44 cent stamp to send it.

This problem of excessive mark-up doesn't just apply to people who are hospitalized. Hospitals charge the same amount for a service regardless of whether or not the patient is in the hospital. Anyone getting routine tests or a diagnostic workup from a hospital is likely to be charged five to ten times what an insurance company would pay for it (five to ten times what the service is really worth).

So people are completely dependent on their health insurance for even small medical costs. In what other industry would you do this? Would you use your car insurance to buy windshield wiper fluid or replace a burned-out headlight? Would you use your homeowners insurance to replace a

screen? In medicine, people are routinely billed several hundred dollars for trivial tests that shouldn't cost more than a car headlight, just because they don't have insurance, or the insurance company denied coverage for that test.

This isn't just a problem for patients. Just because the hospitals are playing the game doesn't mean they're winning. Some aren't even even breaking even. Many small community hospitals are currently in deep financial trouble. There are probably a number of reasons for this but much of it probably has to do with the fact that small hospitals don't do well when they're playing a game designed to pit large hospitals against large insurance companies.

Rather than trying to collect a fair amount for each affordable service directly from patients, hospitals go through the insurance companies for even the most mundane fees. In order to do this, each hospital needs a large staff of billers, who spend thousands of hours each year chasing after the money that's owed them. That's administrative cost, which they need to cover out of insurance payments. And, since each patient only brings in a small profit, each denial puts them in a financial hole. Their answer: lean harder on the patients who owe them money.

How many ways is this system broken? As I said at the very beginning, one of the biggest problems with medical costs is that the real costs are so well hidden in all these games that almost no one even knows what they are, let alone what to do with them. This applies to doctors as much as patients. We saw how patients can easily be confused into buying drugs for far more than they cost, just because they have insurance. Doctors are run around just as much by the absurd system of insurance reimbursement. Now, we find that even the biggest players; the hospitals, are playing the same crazy games by the same crazy rules.

But now it begins to really hurt the patients. It's frightening enough to have to stay in the hospital because of a serious illness. Then add the worry of a potentially crushing debt (http://www.huffingtonpost.com/david-belk/your-money-or-your-life-why-paying-for-cancer-treatment-can-be-nearly-as-painful-as-the-treatment-itself_b_8926910.html), simply because a mistake was made in billing or charting, or because your insurance company just wants to play games. Hospitals often try to justify placing this burden on patients to make up for the financial problems the insurance companies give them. (The insurance companies blame the hospitals, of course). In other words, they both make the case that they're bullies because they're being bullied. The irony of this is remarkable. How can hospitals complain about not being paid after doing so much in so many ways to discourage direct payment. Again, in what universe does this make any sense?

John P • a month ago

Excellent points. I'm a athletic, healthy 41 year old with no major medical issues, who recently had 2 hospitalizations for a PE. While some of my bills weren't a surprise, I've been shocked to see how different the 2 hospitals billed. One hospital billed the same amount for 1 night as the other one did for 3 nights (and the 3 night stay involved a lot more procedures). Just over these 3 months I've quickly had about $8k in bills (so far). I'm insured. I will ultimately be OK financially after a year, but I just can't believe that for my first overnight stay in the hospital my bill was over $3k. How are people expected to be insured, get sick, and have thousands of dollars in bills for rather short-term illness? Not to mention most people end up missing work when they are sick (I had about $10k in lost income). I expect to pay for my medical care, but between my insurance costs and my copayments/coinsurance I will probably end up close to 15k in total costs. I think you pointed out well how the facilities go after the patient for what the insurance won't pay. I went to an urgent care that accepted my insurance and my co-payment was $25, but then months later got a bill for $90 because my insurance only paid so much. They did no procedures or tests at the urgent care and had a sign on the front door that said they accepted my insurance. Most people think their copayment is what they will be charged, but now there seems to be no end to what facilities can bill you. So you may think you only have your copayent, but more bills are on the way! It isn't the costs that upset me as much as the inability of the consumer to know what they will be charged or if they agree to a test how much they will later be billed for that test.

Shawn • 9 months ago

'Tis truely amazing that an ordinary citizen (whether by himself or through his employer) must pay several thousand dollars a year for medical insurance so that they can receive necessary medical care at a cost that they could have afforded - save that A. they already spent 10K on health insurance and B. the hospital would have charged them much more.
And people don't think the system is broken.

Loomy • 2 years ago

So Crazy! And these are prices of services and billings from over 5 years ago!

ALSO ON TRUE COST OF HEALTH-CARE

Conclusion: Is Healthcare Really so Expensive?

41 comments • 2 years ago•

Greg — The pattern is the result of price obfuscation. When you buy an iPhone vs a Samsung Galaxy you know exactly the price

Medications: The Bad News - True Cost of Health Care

4 comments • 2 years ago•

Neutrality Please — This article is both misleading and biased. PBM's do have a purpose -- to pool buying power to negotiate