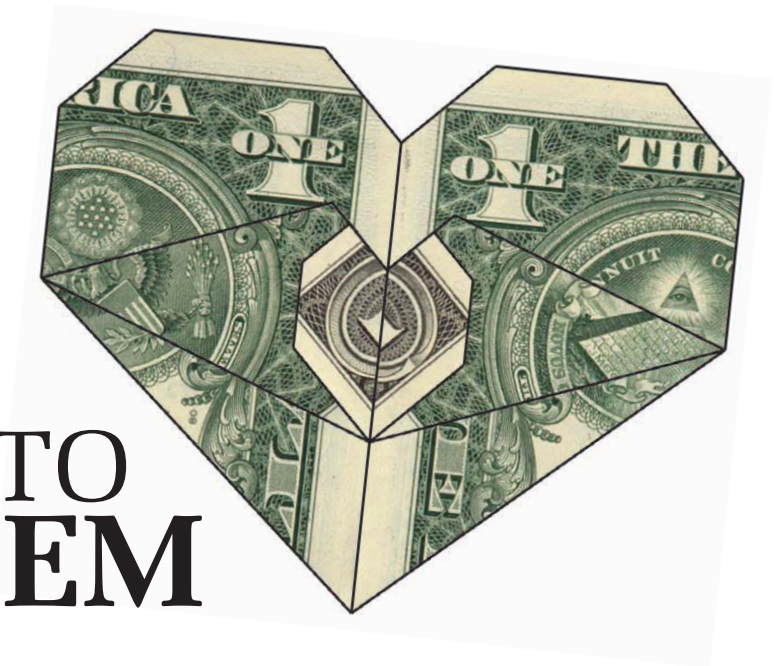
Milan Korcok believes that, love them or hate them, cost containers must learn to live with international bill collectors



LEARNING TO LOVE THEM

As American hospitals struggle to stay profitable, they are solidifying, and in some cases increasing, their reliance on international collection companies to reach across borders to recover money they feel is owed to them by foreign travellers and their insurers. The companies, some of the major ones based in the UK, Switzerland and Israel, as well as the US, are responding to hospitals desperate to find new sources of revenue to make up for uncompensated care losses that now exceed $40 billion annually, approximately six per cent of their total expenses.

Weapon of choice

For hospitals in tourist-rich areas, services to foreign patients can amount to a substantial share of their revenues and costs, and when patients return home leaving unpaid or underpaid bills behind, collecting is a lot tougher than it is from domestic patients. Consequently, the hiring of international collectors accustomed to working across borders has become the method of choice for many hospitals dealing with delinquent foreign medical claims or ones they feel have been unfairly or inappropriately settled by insurers or their cost containment representatives.

The collection companies, among them Ovag International AG, based in Lucerne, Switzerland; Gallagher Associates Ltd International, based in Kent, UK; Global Recovery Alliance, AG, based in Zurich, Switzerland; BDM International Collection Services, based in Tel Aviv, Israel; and Medassets, based in New Jersey, US; are all well-positioned to offer US hospitals not only hardcore collection services, but accounting and auditing mechanisms to help them determine when and if they have been underpaid, or when international insurers have been given discounts to which they allegedly weren't entitled.

The remedy in such cases is to go after the foreign patient and/or his insurer with a demand to balance the bill – in effect, to pay the difference between what the insurer or its cost containment representative has already paid after negotiated discounts have been applied, and what the hospital originally billed.

Hospitals and their collector surrogates know that if they put pressure on the patient, the underwriter will pay because it becomes a public relations issue. The last thing an insurer wants is to have his policyholder deal with intimidation from a collector. And hospitals have found that by partnering with foreign collection/recovery firms who have an international reach and whose expertise lies in cross-border recoveries – in the patient's native language, with the ability to impact their credit standing and even hit them with court-ordered judgments to pay up – they have gained access to substantial sources of revenue.

Collection companies can work in several ways: they can buy debts from hospitals outright and whatever they collect remains theirs. Or they can work on a fee, generally 25 or 30 per cent of what they collect – so that if a hospital has already received $10,000 on a bill and the collector offers to collect the remaining $90,000, keep a third, and pass the remainder on to the hospital, why not?

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Howard Dorsky, chief business officer and system director for the Spring Valley Medical Center in Las Vegas, US, an area known for its high density of foreign tourists, says: "We either try to collect the outstanding debt before they [foreign patients] return to their home country or we have to place their accounts with foreign collection agencies … unfortunately, we have to use these agencies as we have no other means of obtaining the debt once the patient leaves the US."

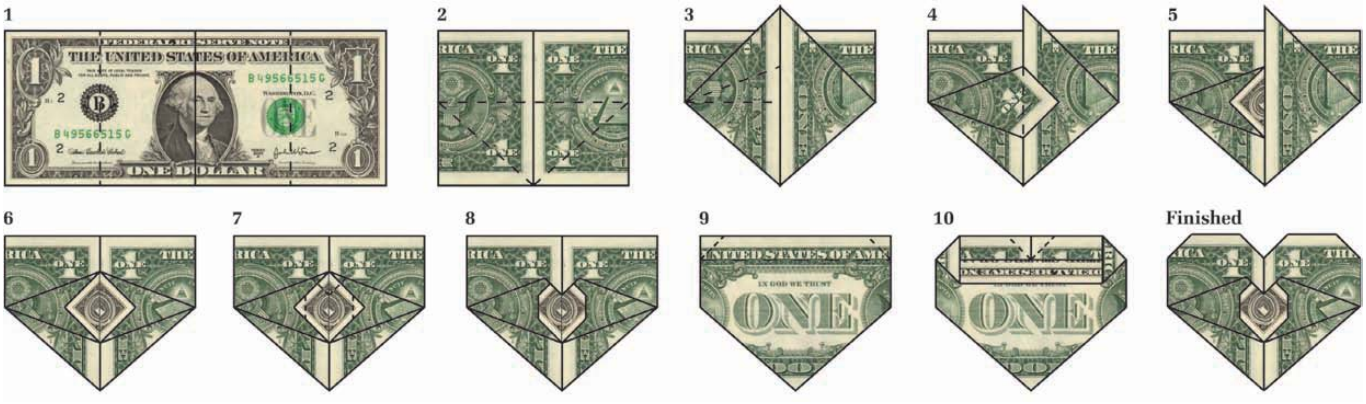
He adds that in such cases: "The agencies will be soft in the beginning, letting them (the patient) know that they represent us and that a balance is due. There is no hardcore collection effort made until the agency feels that the patient is not co-operating with them and (then) they will do what they have to in order to collect the monies due on our behalf. Our approach is soft and will get stronger if the debt is not being paid or the patient is ignoring the balance owed."

Cause and effect

But why does this happen? Why are collectors necessary once a foreign patient's insurer or cost containment representative has 'settled' the bill on behalf of its client? Isn't that what people buy travel insurance for?

Many US hospitals contend that some cost containment companies representing international insurers dig too deeply for discounts to which they are not entitled. They say insurers or their cost containment representatives sometimes use large domestic insurance companies (United Healthcare, Cigna, Aetna, Blue Cross/Blue Shield) and 'silent' PPOs as surrogates through which they receive the deep discounts to which only the large companies with the power to 'steer' high numbers of patients are really entitled.

Hospitals also contend that foreign insurers are not entitled to the discounted DRGs (diagnosis-related groups) or Medicare rates that are heavily subsidised by domestic taxes – levied on



Americans for Americans. Yet many international cost containers feel these fees are fair recompense for hospital services and see no reason not to demand them.

Udi Ben-Gal, director of operations for the Tel Aviv-based collection company BDM Ltd., in a prior interview given to *ITIJ*, explained that all US hospitals will gladly accept payments that are based on PPO rates, but many insurers want better than that. "They try to play it both ways," he said, demanding Medicare rates offered to domestic insurers but without offering the great volumes of patients the Medicare system provides.

However such arguments play out, they reflect the major disparity between what an insurer sometimes pays for a given set of hospital services, and what the hospital thinks is fair, and that is a gap international collection companies are prepared to explore.

Medassets, one of the largest of the US-based recovery companies, offers client hospitals a broad range of recovery services well beyond hardcore collections. Its website promotes services including: auditing zero-balance accounts to identify and recover inappropriate managed care network and payer discounts; probing violations of contractual terms by payers; recommending contract language to close off silent PPO loopholes; recovering cash from inaccurately paid contracts; even using managed care experts and clinicians to recover losses due to denials.

Examples

Last year, Medassets demanded that its client, Lakeland Regional Medical Center, in Florida, US, should be reimbursed by a Canadian insurer to the tune of $34,217 for a discount it gained through the Hygeia Travel Health PPO. Medassets claimed that the contract between Hygeia and Lakeland hospital required the presence of the Hygeia logo or name on the member's identification card. It concluded: "Because the Explanation of Benefits shows the discount was taken through Hygeia Travel Health and the member's ID card does not reference the PPO, the discount is not allowed."

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The discount was taken off a $96,343 bill that was purportedly settled four years earlier. In this case, the insurer was ultimately held responsible for paying the amount.

In a similar case, Medassets demanded a Canadian insurer pay Tampa General Hospital $17,008 it received as a discount through the First Health PPO network because the plan did not include the incentives necessary (deductibles, co-payments) to redirect the plan member to Tampa General Hospital. The original bill was $22,608 and the insurer paid $5,600 in what it thought was total payment. But Medassets concluded, on behalf of its client: "It is the strict policy of Tampa General Hospital to not honour discounts taken through First Health in the absence of patient redirection incentives, which are designed to 'steer' plan participants to in-network providers in exchange for preferred reimbursement rates." Notably, though this bill was three years old when Medassets detected the discount discrepancy, it was free to follow it up for collection under statutes of limitations, which in some states can run up to seven years – long after insurers have closed their books on those accounts.

Unfortunately, the contract under which the PPO had offered the discount to the insurer did not guarantee it, (a common practice for PPOs and TPA that offer 'savings' to insurers): a situation that sometimes leads to the insurer not only being left on the hook to the hospital for the retroactively disqualified discount, but for the 'savings' fee, which it long ago paid the PPO or TPA intermediary for getting the discount. Caught both ways.

Keeping it on the QT

It's hard to document how widespread the use of collection practices really is. Hospitals don't like to talk much about collecting procedures or forcing their own patients into foreclosures or bankruptcies. And in fact, many state governments have restrained hospitals from billing uninsured or indigent patients, requiring them to disclose their charity care options, to offer financial assistance plans to low or even some middle-income families, and to charge the uninsured or underinsured no more than they do their large insurers. In California, hospitals may not send a bill to a collection agency if the patient is attempting to qualify for financial assistance or negotiate a payment plan. But the safeguards given to domestic, indigent or uninsured patients don't hold for foreigners vacationing in the most favoured US tourist locations under the cover of international travel insurance.

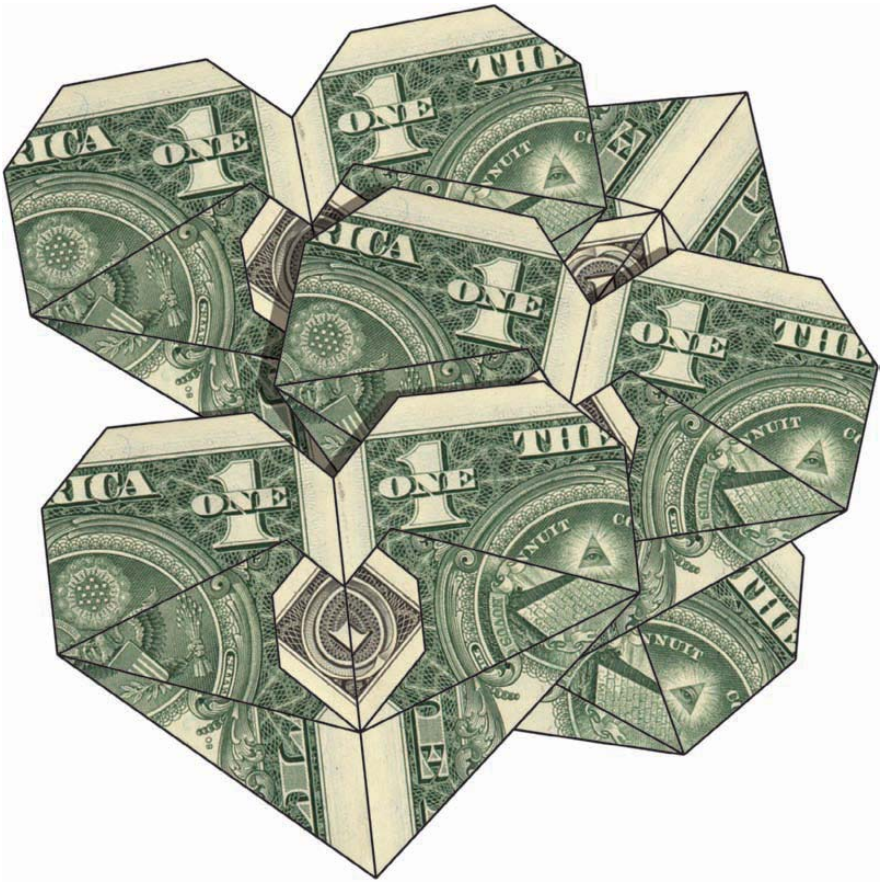
As for international cost containment companies, they generally don't like to talk at all. We contacted three of the largest with questions concerning the number of hospitals they deal with and why hospitals use their services (Gallagher Associates in the UK, Global Recoveries International in Switzerland, and Medassets in New Jersey, US). None responded to any of our emailed questions.

What do cost containment professionals feel about the intrusion of collection agencies into the insurer-hospital-patient relationship? »

Magdi Riad, president of SelectCare Worldwide, feels the international collectors 'are somewhat useless to an insurance company', acting as a barrier between the payer and the healthcare provider.
He adds that their contact with hospital personnel 'is usually at the junior level and payer issues are never communicated to senior executives who can make sense of any given situation'. "In my opinion," says Riad, "hospitals are doing a disservice to themselves by using these collection agencies when it comes to insurers."
He adds also that a new wave of collectors is now being seen as lawyers enter the collection market. "They are the worst collectors. To justify their fees, they inflate the invoice with interest and threaten (only threaten) litigation. I personally think using lawyers to collect a hospital account will create a lot of litigation, and verdicts will create precedents against hospital practices and excessive charges. Not very smart."
Patrick Hrusa, head of operations at WTP Assist, believes the use of international collection companies by hospitals appears 'to have reached a steady base level', but is growing along with the underlying claims pool.
J. Ross Quigley, chief executive officer of Medipac Assist, says the use of debt collectors and lawyers as the 'first contact' for foreign hospital bills appears to have been a trend that is disappearing as it caused a backlash 'with payers and clients who generally refused to deal with these people'. However, though there is less harassment of clients about balance bills, there are still lots of them being sent out, says Quigley: "We (tell) our clients simply (to) refer all calls on bills to Medipac Assist." He notes also that there seems to be little commonality about the way hospitals control 'the harshness and aggressiveness of the collection process for that specific hospital'. And whether or not hospitals are part of a larger group doesn't seem to make a difference. "With some we have excellent relationships … others seem to be operating in the dark ages, i.e. club your client and/or payer into submission."
Juliann Martyniuk, product manager of travel insurance and affinity markets for Manulife Financial, one of Canada's largest providers of travel insurance, reports that there is no recent evidence of increased collection activity, referrals to collection, or attempts at balance billing, but where collections are seen, 'Swiss companies appear to be the most aggressive'.
Martha Turnbull, head of auto, travel and property claims for RBC Insurance, says there does appear to be an increasing trend among some hospitals in Nevada (Las Vegas) and Florida, particularly, to refer all their foreign bills to international collectors, and she admits there are some patients being harassed by collectors trying to balance bill, but 'if we have the information from the collection agency, we try to resolve the issue with the provider, network and collector involved'.

> However such arguments play out, they reflect the major disparity between what an insurer sometimes pays for a given set of hospital services, and what the hospital thinks is fair

Some international travel insurers and their cost containment representatives have characterised US hospitals as greedy and uncompromising, driven by unrelenting demands of stockholders whose sole pre-requisite is profit – even though barely 20 per cent of the nation's hospitals are investor owned, for-profit institutions. They say hospital 'chargemaster' price lists are artificial and have no relationship to the cost of the goods and services they provide. And so they feel justified in drilling down to get the best possible 'deal' for their insured clients as they can.
But how long can that continue without consequences? And, is the use of harsher, more aggressive collection tactics and the enlistment of professional cost collection companies not the inevitable response?
Perhaps the hardest reality foreign insurers must face is that by covering their clients for medical services in the US, they are de facto stakeholders in the most expensive healthcare system in the world and the cost of playing in this game is very high. They are players in a very tough league. No favours given. ■



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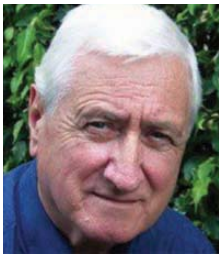

Milan Korcok is an award-winning freelance health policy and economics writer who covers travel insurance, public health, and medical education issues in Canada and the US. He has been writing about health financing and policy issues in these countries since the 1960s, and is a frequent contributor to leading North American professional journals and consumer media.