



10 ways to avoid outrageous hospital overcharges

Profit-hungry hospitals are overcharging consumers an estimated \$10 billion a year.

Some deliberately work to keep bills indecipherable. Here's how to fight back.

By Bankrate.com

American hospitals are fleecing patients out of billions of dollars annually, and experts say that while some of the overcharges are honest errors, many are deliberate.

That's because hospital bills are next to impossible for consumers to understand, which means hospitals can hide improper charges behind mysterious medical terminology and baffling codes.

That's what Nora Johnson found when her 56-year-old husband, Bill, underwent hip-replacement surgery in 1999. The cost of the operation was \$25,000.

Knowing that her family would have to pay a percentage of the costs, she requested an itemized bill.

\$129 for a box of tissues

"What I got was five feet of single-spaced names and codes," recalls Johnson. Written in "hospital-speak," some of it made sense, she says, while some of it was absurd. "Like the charge for newborn blood tests and a crib mobile. That stopped me in my tracks," recalls Johnson. **"As far as I know, my husband never had a baby."**

Johnson, from Caldwell, W.Va., was so shocked by the overcharges she became a trained medical billing advocate. Today, she audits hospital bills for consumers and for state employees in West Virginia.

"More than 90% of the hospital bills I've audited have gross overcharges," says Johnson.

Estimates on hospital overcharges run up to \$10 billion a year, with an average of \$1,300 per hospital stay. Other experts say overcharges make up approximately 5% of hospital bills.

"I've seen \$90 charged for a 70-cent I.V. How about \$129 for a *mucous recovery system*? That's a box of Kleenex," Johnson adds. She's also seen charges for ordinary supplies, such as **towels and sheets, that should be included in the room charges.**

Johnson says some overcharges are mistakes, but many are deliberate. "Hospitals are huge moneymakers," she explains. "Their executives enjoy big bonuses."

As a result, "Hospitals have become highly innovative when it comes to billing, and ordinary citizens have no idea they're being ripped off," says Johnson, who is affiliated with Salem, Va.-based **Medical Billing Advocates of America.**



Experts baffled, too

But making sure that you are charged correctly can be a daunting task. That's what Richard Clarke found out firsthand shortly after his father died in 2000.

Despite the fact that he is a former hospital chief financial officer, Clarke admits, sorting through the bills took him a year. In the end he found \$2,000 in errors.

That's because bills from just one hospital stay will come pouring in, and they come from many providers: Your surgeon, anesthesiologist, pathologist, labs, as well as the hospital.

Bill Mahon is executive director of the **National Health Care Anti-Fraud Association**, a group of insurers and law enforcement officials in Washington, D.C. He says patients are helpless to decipher their bills. As a result, says Mahon, providers can slip in overcharges.

"The medical billing system is complicated and confusing," admits Rick H. Wade, senior vice president of the American Hospital Association, which represents most of the hospitals in the United States. On Dec. 27, 2002, he told a "Dateline NBC" investigative team, "Trying to understand all the code words and jargon can turn your brain into oatmeal."

Hospitals discourage consumers from checking bills

Because health insurance plans have different contracts with differing payment schedules, there is no single rate sheet you can consult.

Nevertheless, experts say reviewing your bill for overcharges is vital. For one thing, if you are required to pay some of your hospital expenses, either as a deductible or a co-payment, **overcharges will come out of your pocket.**

What's more, most insurance plans have a cap, meaning, "Money siphoned off by errors or fraud can chip away at your lifetime total," says Tom Brennan, Blue Cross/Blue Shield's director of special investigations.

Your credit rating may be at risk too. "Hospitals have become very aggressive about collecting money," says Nora Johnson.

And, according to a 1998 study of hospital billing procedures, they go to extraordinary lengths to discourage patients from delving too deeply into their bills. "Citizens are becoming more educated about hospital billing and taking responsibility of ensuring that their charges are correct," said the study's principal author, Dr. Kimberly Elsbach, of the University of California, Davis. **"Hospitals are countering that with their own efforts to discourage people from becoming involved with challenges or audits because it costs them a great deal of time and money."**

And they waste no time turning accounts over to collection agencies or filing liens.



Don't be taken for a ride

Nevertheless, experts say you can take these steps to make sure that you're not taken for a ride.

- If your hospitalization isn't for an emergency, **check your insurance policy to find out just what it will cover and how much it will pay.** Be sure to carefully review the section on "exceptions and exclusions." It will tell you what your plan will not cover.
- Phone the hospital's billing department and ask them what you will be charged for the room, and just what the room charges cover. If tissues aren't included, for example, bring your own.
- Ask your doctor to estimate your cost of treatment. Also, **ask if you can bring your regular prescriptions from home to avoid paying for medications administered at the hospital.**
- **Make sure that everyone who will be treating you -- the surgeon, anesthesiologist, radiologist, pathologist, etc. -- participates in your insurance plan.**
- If you can, keep your own log of tests, medications, and treatments. If you are not able to, ask a friend or loved one to do it for you.
- At some point you will receive an explanation of benefits (EOB) from your insurance company (if you're on Medicare, you will receive a summary notice). It will say, "This is not a bill." Don't toss it in the trash. Examine it. It will tell you how much the hospital is charging, what your insurance plan will cover, and what you will have to pay out of your own pocket in deductibles and co-payments.
- **Never pay your bill before leaving the hospital** -- even if you're told that it's required.
- When you get your bill, read it carefully. Compare it to the log you made, to the EOB, and to the estimate of costs you requested before you were admitted.
- If there are items you don't understand, call the billing department and your insurer, and ask them to explain. **Don't accept bills that use terms like "lab fees," or "miscellaneous fees."** Demand an itemization. If you don't get satisfaction from the hospital billing department -- and you probably won't -- appeal in writing to the hospital administrator or patient ombudsman.
- If you are still scratching your head, ask for an itemized bill as well as your medical records to confirm whether or not you received the treatments and medications you've been billed for. **Every state now requires hospitals to provide itemized bills.**

Since helping sort out his late father's medical bills, Richard Clarke, the former hospital CFO, has become founder and president of the **Healthcare Financial Management Association**, an Illinois-based association of medical finance officers who work with the American Hospital Association and other groups to develop more consumer-friendly billing.

They're aiming for easy-to-read bills and printed pamphlets that will help consumers understand hospital-speak. Until that happens, however, consumers will be on their own.