

How to Fight a Bogus Bill

*Many Medical Bills Contain Errors That Could End Up Wrecking Your Credit Score.
Here's What You Need to Know*

THAT SUSPICIOUS CHARGE on your medical bill might be a mistake—but if you let it fester, it could end up damaging your credit score.

There are no comprehensive statistics on medical-billing mistakes, but Stephen Parente, a professor of health finance at the University of Minnesota who has studied medical billing extensively, estimates that 30% to 40% of bills contain errors. The Access Project, a Boston-based health-care advocacy group, says it's closer to 80%.

Not only can billing errors lead to higher costs for consumers—they can also sabotage otherwise well-heeled borrowers' ability to get mortgages or other types of loans. Medical-billing errors mar the credit reports of roughly 14 million Americans, according to a December study by the Commonwealth Fund, a Washington-based nonprofit focused on health-care research. According to a December study by the Federal Reserve, medical bills account for more than half of all debts in collection.

Health-care advocates and credit-score experts say medical billing is a growing problem for borrowers. "Medical bills sent to collection in error are becoming the single greatest threat to credit scores," says Gerri Detweiler, a personal-finance expert at Credit.com, a consumer-education website.

What's more, some health-care experts say the number of errors could jump in coming years. That's because the 2009 economic-stimulus legislation included \$19 billion in spending to encourage the use of electronic health records—a major source of billing mistakes, says Ross Koppel, a sociology professor at University of Pennsylvania's Center for Clinical Epidemiology and Biostatistics who has studied electronic records extensively. The U.S. Department of Health and Human Services estimates that 80% of hospitals will use electronic records by 2014, up from 16% now.

The good news? Billing errors are often correctable, as Jonathan Barbour recently learned. The 33-year-old engineer thought his insurance had covered a bill from a November 2008 visit to the emergency room at Marina Del Rey Hospital near Los Angeles for an injured elbow. Four months later, he says, he got a message from the hospital's billing department alerting him that a \$1,200 bill had been sent to collection.

"I was shocked, since this was the first time I was hearing about this outstanding bill," he says.

30% of all medical bills contain errors.

-Stephen Parente, professor of health finance at the University of Minnesota

Mr. Barbour says he contacted his insurer, which told him it never received a claim. It turns out the hospital had been billing the wrong insurer. Mr. Barbour alerted the hospital and had the billing department report the error to the credit bureaus.

"I called every single day for months until it was resolved," Mr. Barbour says. Marina Del Rey Hospital didn't return calls for comment.

It might take serious legwork, but there are ways to fight billing errors and ensure they don't imperil your financial health. Here's a guide:

The Basics

Despite the labyrinth of charges and codes that appear on medical bills, the process itself is relatively simple. Once a patient receives care, the hospital or medical provider generally charges the patient's insurance provider. Any remaining balance is the customer's responsibility, and is often called co-insurance.

But those bills are sometimes inaccurate—often as a result of electronic billing snafus. Among their benefits, electronic records can reduce the risk of duplicate testing by enabling doctors to track patients' care. David Blumenthal, national coordinator for electronic health records at the U.S. Department of Health and Human Services, says the technology helps prevent potentially fatal errors such as prescribing medication that a patient is allergic to. Electronic health records will "improve care for patients and bring about greater cost-effectiveness in our health sector," he says.

More than half of all accounts in collection are medical accounts.

-The Federal Reserve

Yet problems are emerging in the way hospitals use the systems, leading to billing mistakes to the tune of "thousands of errors in an hour," according to a 2010 study in the *Journal of the American Medical Informatics Association* by Ben-Tzion Karsh, an engineering professor at the University of Wisconsin.

Among the most common problems, say researchers: assuming care that never was given, such as X-rays, and charging patients using doctors' scheduled appointments regardless of whether the patient showed up to receive care.

Other errors stem from simple clerical goofs—everything from mischaracterizations of care given to duplicate charges, say health-care experts. Usually they arise when overburdened staffs are deluged with bills from patients who can't or won't pay. "More and more hospitals are now in the business of debt collection, and that distracts from careful billing," says Alwyn Cassil, a director at the Center for Studying Health System Change, a nonprofit focused on medical care.

Still, hospital administrators challenge the error estimates of Prof. Parente and the Access Project. "I've never seen convincing evidence that medical billing errors occur in the overwhelming majority of cases," says Joe Fifer, vice president of hospital finance for Spectrum Health, which operates hospitals throughout Michigan.

Over the past year, Mr. Fifer has launched a pilot program to help demystify the billing process and simplify hospital care. Now, before every visit or surgery, patients get free consultations so that they understand the expected cost of care. "It's not unlike getting your car repaired," Mr. Fifer says. "You have to get an estimate upfront."

Credit-Score Troubles

Any unpaid debt, whether it be for \$100 or \$10,000, can shave up to 100 points off a person's credit score, according to credit scorer [Fair Isaac Corp.](#)

Worse, some patients don't realize they have outstanding medical bills until they try to get a new mortgage. Real-estate agents across the country say medical debt trips up an increasing number of seemingly well-qualified borrowers.

Unpaid medical bills can go undetected for years. Brian Wickert, president of Accunet Mortgage LLC, a Wisconsin-based lender, says several of his clients with otherwise pristine credit can't qualify for affordable mortgages because of unpaid medical bills. "It's devastating for these borrowers," Mr. Wickert says.

14 million Americans have medical-bill errors on their credit reports.

-The Commonwealth Fund

Rodney Anderson, who heads Supreme Lending, a mortgage bank based in Plano, Texas, says most of his clients don't realize that medical debt has torpedoed their credit until it is too late. "I've watched medical debt entirely sabotage borrowers with great credentials," Mr. Anderson says.

Lenore Caudle says she had no idea until last month that her credit history had been sullied by an unpaid medical bill sent to collection in May 2006. The 50-year-old technical analyst for a health-care company wanted to refinance the 6.625% mortgage on her Dallas home. But she says the unpaid bill, her only credit blemish, lowered her credit score to 659 last month from 740 several years ago.

Borrowers typically need a 730 score to get the best loan rates. In order to refinance, she would have had to pay \$2,905 in additional costs, she says.

Faced with the hefty fee, Ms. Caudle opted to forgo refinancing. "I'm still saddled with this mortgage," she says.

A single disputed bill from August 2006 translated into significant extra costs for Scott Buckley, the chief financial officer of a technology company in Carrollton, Texas. Mr. Buckley says he found out last month that an unpaid medical bill had sunk his credit score to 682. In order to refinance his 4.75% mortgage, he says, he must pay an additional one-quarter of a percentage point in interest over the life of his \$270,000 mortgage and an additional \$1,500 in closing costs.

What to Do

Step one is to make sure you receive a bill for any health care you receive. If you don't, there is a chance it was sent to the wrong address or insurer, and has gone unpaid. "You'd be surprised how many times a simple transcription error can result in bill getting sent to the wrong address," says Kevin Flynn, a billing specialist in Philadelphia.

In recent years a crop of medical advocates have emerged to help patients, for a fee, negotiate their bills, find errors and correct any mistakes. Advocates can be a good option for some patients, especially the very sick, who don't have the time or energy to haggle over bills. But advocates also can be expensive: Most charge between 20% and 30% of what they recover. Some tack on an hourly fee as well.

87% of hospitals expect bad medical debts to keep growing.

-American Hospital Association

Still, those fees can be worth it. Last fall, Kathy Parrish, 61, walked into the emergency room at ParkView Medical Center in Pueblo, Colo., with a bloody nose; a month later she received a \$2,484 bill. The Pueblo resident says she couldn't understand why the bill was so steep—doctors just stanching the bleeding, she says.

It turns out that the hospital had mischaracterized the category of care. Instead of a "level one visit," which typically involves very basic procedures, the hospital said it was a "level five," which is the top of the range, and typically involves the severest injuries.

Ms. Parrish says she questioned the charge but got little help from the billing department. Next she hired a medical advocate. The person spotted the error and was able to reduce her bill by more than half. ParkView Medical Center declined to comment on the specifics of the case, citing patient confidentiality. But Jessie Smith, director of business services for the hospital, says when billing problems arise, "we refer patients to an advocate within the hospital who can help them resolve the dispute."

When Hima Chintalapati, a 31-year-old advertising executive, received a bill in May for her late father-in-law's visit to Alta Bates Summit Medical Center in Berkeley, Calif., for congestive heart failure, she hired a medical advocate to help her sort through the bill. Among other charges, she says, the hospital had double-billed for a ventilator during each day of the weeklong stay, adding \$2,416 to the bill. She says she is in the process of working out the bill with the hospital. The hospital declined to comment.

Patients who think they have been overcharged and want to brave the process on their own should check the price of the care they received against the Medicare rates for the same care, which can be found online at the Medicare and Medicaid site hosted by the U.S. Department of Health and Human Services (www.cms.gov). If there is a wide discrepancy, challenge it.

Often, post-care invoices contain scant information, and they rarely itemize individual charges. After a visit, patients should ask their health-care providers for a detailed breakdown of the entire visit, say hospital administrators. That way, errors like duplicates or overcharges are easier to spot.

"The most basic step is to make sure you actually got all the services you're being charged for," says Amy Wellington, director of patient and guest relations at Boca Raton Regional Hospital in Florida.

Billing advocate Cindy Holtzman of Marietta, Ga., says that errors on one of her client's bills at Northeast Georgia Medical Center in Gainesville, Ga., were glaring. During a visit to treat dehydration, the client was charged 41 times for a single intravenous drip, sending her bill to \$5,832. When Ms. Holtzman spotted the mistake, she says, she contacted the hospital, which cut the bill to \$420.05.

"As soon as we were notified of the error, we corrected it and refunded the insurance company the balance of the corrected claim," says Northeast Georgia Medical Center spokeswoman Melissa Tymchuk. "If errors occur, we work quickly to correct them."

Likewise, Lon Flewelling, a 54-year-old who runs a dog-training business, says a \$35,000 hospital bill from Denver's Rose Medical Center for ankle surgery in June included charges for five titanium-screws in his ankle, even though only three were used. A spokeswoman for Rose Medical Center declined to comment on Mr. Flewelling's case, citing patient confidentiality, but said that "we try to accurately and appropriately bill for devices or supplies used during surgeries and procedures."

Sometimes patients can enlist their insurance providers to help resolve the dispute. "Ask your insurance company to investigate the accuracy of any charges you are suspicious of," says Holly Knapp, a Loveland, Colo.-based medical-billing advocate. Through her work helping patients correct erroneous bills, Ms. Knapp says, she has dealt with insurance companies directly. "You might be surprised, but they can be real advocates for patients, too," she says.

Just as important: Don't let problems fester. Even small medical bills sent to collection can sink a credit score.

If a bill is mistakenly sent to collection even though it has been paid, consumers should have the hospital's billing department send a letter to the credit bureaus outlining the mistake, says Mark Rukavina, director of the Access Project. Then contact the three major credit bureaus to ensure the error has been fixed.

As with most consumer fights, correcting medical bills requires determination. "Fighting for accuracy in your bills can seem like an interminable process," Ms. Knapp says. "But with persistence, you can prevail."

Source: Wall Street Journal