

Medical Collections and Your Credit

By Patrick Ritchie

A fair amount of collections result from a lack of communication. The most common collection is certainly medically related. Keep in mind that legally, the patient is responsible for their own bill, not an insurance company. If I go to the hospital it is my responsibility to make sure my insurance company pays what they are supposed to pay. Often times the health insurance company takes its time processing a claim to make sure that the claim is payable. The process may take a week or it may take months. Hospitals, doctors, dentists, etc. turn the bills over to a billing company, and after a certain point if the bill goes unpaid it finds its way to a collection agency. Many people assume that the insurance company will take care of it eventually and ignore the bills coming from the medical practice. Since most collections on credit reports are medical, ignoring the billing department is the wrong thing to do. We need to keep up the communication with the billing departments of the medical practices. Unfortunately insurance does not always cover everything. The worst way to find that out is to have it go to collection. Even worse is that you probably will not know it was sent to collection until you are ready to buy a home or a vehicle. Then the lender will ask about that pesky medical collection on your credit report.

Our objective is to prevent anything from ever going to collection in the first place. If there is uncertainty with an insurance claim it is important to keep the communication flowing between you and the billing department. Ask questions such as:

- When did you speak to the insurance company last?
- When do you expect to see payment from the insurance company?
- Do you have my correct insurance? *If you have switched jobs or your health provider has changed recently, it is quite possible the claim is being sent to the wrong insurance company. Confirm your correct information is on file with your medical provider.*
- Does my insurance company have the correct information on my coverage? *Call your insurance provider to confirm your information is correct. I had an issue with my son where the claim kept getting denied for his immunization shots. The problem was that we had recently switched insurance carriers and the new insurance provider had marked on my paperwork that there was "other" coverage for my son. This was not the case, it was fixed and the claim was paid. Do not assume things will just work out. You can avoid a lot of headaches at inopportune times by doing your own follow-up when a claim is not being paid.*
- At what point would this go to collection if the insurance does not pay the claim? *Some billing departments might go until the claim is officially denied. Others may only go three months and then demand payment whether from insurance or the patient.*

A point of confusion is when a medical visit results in three different bills. You may receive a bill from the hospital, the doctor, and a lab. Do not assume you have already paid for the medical visit if lingering bills show up. When my son was born I was sending out checks to everyone for everything. I even received a bill from a nurse for \$16 and some change. It totally took me by surprise, but I sent the payment. I would rather be out \$16 on something I may have been able to argue than to have my credit score drop because the \$16 went to collection. A majority of the medical collections I see on credit reports are for less than \$100. I cannot list the number of times people have asked, "Is this \$100 medical collection going to increase my interest rate?" The answer might be "Yes." Be diligent about putting potentially bad situations to rest when the opportunity to do so is available.

Another bad situation is when you are the victim in a car accident. Let's say someone blew through a stop light and t-boned your car in the intersection. The ride in an ambulance to the hospital alone is probably going to cost a good amount of money. Who is going to pay the medical bills? If the other driver is cited then hopefully they have insurance to cover the bills. What do insurance companies like to do when they have a claim? Drag their feet and negotiate a lower cost. Since you were the patient, you are still responsible for the treatment incurred. This is a situation where you need to be extra cautious because your good name is on the line. Do not assume that an insurance company will just take care of everything. Make sure they do. Get on the telephone with the billing department of the hospital and make sure they are aware of the situation. Communicate, communicate, communicate, and make sure the lines of communication are going both ways. You do not want this situation to escalate into a collection. Talk about a slap in the face! An unfortunate and sad situation resulting in your financial downfall. But it happens all the time. We cannot make assumptions when it comes to people or companies paying out money. Especially when we have the most to lose under the circumstances.

Are medical collections more likely to occur depending on which health insurance carrier we have? The short answer is yes. When a hospital budgets for the year it expects to have a large percentage of its income written off to contractals. Contractals are payment arrangements made with HMO's, PPO's, Medicare, and Medicaid, etc. and other payers of health care costs. Essentially, different payers pay different amounts for identical services. In terms of health insurance, the contractual allowances will vary from company to company.

Perhaps insurance company A gets a 50% knockdown in cost and insurance company B gets a 20% knockdown in cost for the identical services. This will be based on how much business the companies do with the hospital. How does this affect medical collections? If company A is billed for \$100 it will only owe \$50, when company B is billed for \$100 it will owe \$80. Now let's say the patient was supposed to pay \$20 of their own money. If I am the hospital I am going after the patient with insurance from company A first, because I received the least amount of payment from company A. In fact, I may even be willing to negotiate with the patient who has coverage with company B to pay less than \$20 if they

do not have the money. It all comes down to dollars, the insurance company that pays the least for identical services has customers who will go to collection quicker to recover the patient portion of the bill.

Patrick Ritchie is the author of “The Credit Road Map,” a practical guide to navigating the world of credit. The book can be purchased at www.TheCreditRoadMap.com or on www.Amazon.com. Copyright © 2006 Success Road Map Press, reprinted with permission.