

Seattle Post-Intelligencer

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Hospitals take advantage of the uninsured

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Guest columnist

Walking into an emergency room with a sick child is a terrifying experience for any parent. But for many Washingtonians, that visit can be made worse by hospital business practices that condemn the uninsured to huge debt.

The practice – charging uninsured the highest rate – is ethically and morally wrong, and state officials need to take action to put an end to it.

Here's how it works. Large payers use their economic clout to negotiate deep discounts with hospitals. Since insurers and HMOs can exert such economic muscle in these negotiations, hospitals have little choice but to agree to markdowns.

While HMOs pay pennies for the proverbial \$10 aspirin, often that same hospital will charge uninsured patients absurdly high prices for the same pill.

Recently, an uninsured patient was charged \$174,107 to fix a broken leg. Included in the charges was a \$1,600 X-ray, which should have cost around \$130. Another hospital in the same chain charged an uninsured patient \$48,374 for a two-hour visit to treat an infection.

This is big business: One national hospital chain collected about \$400 million from uninsured patients in a five-year period,

much of that coming from excessive charges.

Why do hospitals do this? The simplest reason is because they can. Without regulation, hospitals are free to set prices at will.

Second, by raising the “rack rate” they may become eligible for higher payments from Medicare. Also, by increasing the spread between the rack rate and the managed care rate, hospitals give payers the impression that their discounts are more significant.

The impact on the working poor is staggering. A recent Harvard University study found that 50 percent of the personal bankruptcies in the United States are due to health care debt. In Washington state, Physicians for a National Health Program reports that in 2004, more than 19,000 bankruptcies were caused by medical issues.

To avoid crippling debt, many uninsured patients forgo treatment. And if they do seek care, the inflated rates often preclude any chance of paying the bill.

Certainly insurers have the right to negotiate rates with hospitals; it serves the broader interest by reducing health care costs to consumers. However, charging the uninsured with rack rates is fundamentally unfair.

Fortunately, there is a solution, and the framework was demonstrated in a recent case my firm led against Tenet Healthcare, one of the nation's largest providers.

We called into question Tenet's practice

of charging uninsured patients 50 percent to 70 percent more than insurance companies. As part of the resolution, Tenet agreed to charge uninsured patients similar rates to what it charges payers, and to refund millions of dollars to patients who received care at Tenet hospitals. We estimate it will save uninsured patients in excess of \$1 billion.

This trend for reform is gaining momentum. Shortly after our settlement, Minnesota's attorney general gave hospitals in his state an ultimatum – be fair or be sued – compelling 50 percent of the state's hospital capacity to enter into a voluntary discount policy program for uninsureds.

Olympia must do the same and demand that hospitals treat the uninsured with equity. The attorney general must require hospitals to disclose charges for services, allowing uninsured patients to price-shop.

Second, hospitals should be prohibited from price-gouging the uninsured. The state should mandate that the rates for uninsured patients be no higher than average rates charged to payers, or at least within a range between the highest and lowest.

No longer should the working poor be forced to choose between life-crippling debt and life-saving care. It is time for the state to remove the shroud of secrecy that has hidden pricing agreements.

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