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Medical billing, a world of hurt: Error-prone system is headache for insurers, providers, patients

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By **Sarah Jane Tribble, The Plain Dealer**

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James Elliott, 73, of Akron, provides insurance and personal information to Kristina Lance, who handles patient registration at Akron City Hospital. Elliott came to the emergency room because of abdominal pain. This is the beginning of the process that generates a medical bill and could include up to 250 people.

Medical billing, a world of hurt

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CLEVELAND, Ohio — Early last month, federal health officials made an announcement that brought cheers in hospital boardrooms nationwide and prompted the **American Medical Association**, the nation's largest physicians group, to release a rare letter declaring its appreciation for government regulators.

From all the hoopla, you would think that there had been a breakthrough medical discovery.

But the big news from the **Centers for Medicare Medicaid Services** was that there would be a one-year delay in implementing tens of thousands of new medical billing codes, part of an arcane system that directly affects every patient in America.

Medical billing codes tell the story of a patient's treatment, dictating how much is paid to medical providers and, ultimately, who pays it -- an insurance company, Medicare or Medicaid, or you. They also are at the heart of many, but not all, of the billing issues that drive

consumers crazy.

The world of billing problems is as vast as medicine itself. Among the many frequent complaints are: patients being billed for the wrong treatment, receiving double billing for the same treatment, being charged for more than an insurance contract allows or getting a bill for unexpected costs, such as a "facility fee."

Insurance companies and medical providers share the blame for the problems, which are common, maddening and expensive. The Plain Dealer will< spend the next year examining these issues. We're hoping you will help by telling us about your problems with medical bills in our **online survey**.

"It all comes down to human beings being involved in a process that is very complicated," said Kevin Theiss, a vice president at **Summa Health System** who oversees an operation that sends out roughly 800,000 bills a year.

At Summa's Akron City Hospital, Theiss estimates that up to 250 people could play a role in generating a single patient's bill, from the intake workers who collect personal information to the doctors and nurses who treat the patient to the coders who assign billing codes to

descriptions of treatment listed in charts.

The opportunities for a mistake at any hospital are "astronomical," Theiss said, adding that the health care industry has "created a monster that is so complicated."

The national sigh of relief over the delay in implementing the new codes highlights the growing concern among health systems like Summa and insurers like Aetna about a billing system that pits providers against payers while leaving patients quite literally holding the bill.

Payers, including insurance companies and the government, say hospitals and doctors plug in the wrong codes because of human error or, worse, intentionally to get more money. Doctors and hospitals say payers argue over whether services on a claim should be paid.

Consumers are caught in the middle

"It is a very helpless feeling," said Anita Harris, an Avon resident who fought with the **Cleveland Clinic** for eight months over more than $6,000 in charges for tests after her husband, Tim, mentioned heart palpitations and leg cramps during a routine physical. "I think a lot of people just throw in the towel and say, 'Forget it, I'm going to pay this. It's just not worth it.' "

A stress test and ultrasounds quickly ruled out any medical problems, but the family's insurance company had refused to pay for Tim Harris' tests because the Clinic coded them as having been done in a free-standing dialysis center downtown and not in the suburban medical offices where they were actually performed.

The mistake was eventually corrected last year, but it took dozens of phone calls, letters and email messages -- enough work that Anita Harris described it as her part-time job.

A spokeswoman last week said the Clinic was sorry for the coding error and the inconvenience it caused the family. Eileen Sheil, executive director of corporate communications, said the health system is committed to reducing the number of billing errors and

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Tim and Anita Harris of Avon received more than $6,000 in medical bills their insurance company wouldn't pay because of a hospital coding error. The mistake was eventually corrected, but only after eight months of work. "It's very frustrating," Tim Harris said. "Health care is the only industry where you don't know what it's going to cost

until it's done."

would conduct additional educational sessions for employees involved in the coding process.

Coding errors are an industrywide issue -- "a payer and employer challenge that needs attention," Sheil said.

The American Medical Association, whose members have launched a campaign against insurance company billing practices, blames errors in claims last year for an extra $17 billion in administrative costs to physicians. Nearly 20 percent of the claims doctors get back from insurance companies have errors, according to the group.

A spokeswoman for **America's Health Insurance Plans**, a national trade association representing the health insurance industry, said the group is trying to work "not in an atmosphere of blame" but rather collaboration.

"Frankly, it is in the best interest of health plans to get it right," said Susan Pisano, vice president of communications at AHIP. She added that most insurers have automated billing systems that "are pretty sophisticated and have pretty high standards for getting it right."

Without faulting either side, **Stephen Parente**, a professor of health finance and insurance at the University of Minnesota, said his research on medical bills found that up to 40 percent of claim statements passed between insurers and hospitals have errors. Up to 15 percent of all claims have "outright waste, fraud and abuse," he said.

How does the industry argument over coding and errors translate to the bill an average patient receives in the mail?

"This is where things get messy," Parente said, adding that there has been little research on how many consumer bills have errors or fraud.

The system is "hugely complex" and "ridiculous," said Ken Hertz, a principal with the national consulting firm **Medical Group Management Association** who has spent decades advising physicians and small practices on billing.

"Are there errors? Sure," he added.

Hospitals, doctors and insurers maintain their own billing systems but are required to use the same universal codes. There are a few different sets of codes used by everyone for medical billing, among them the ICD-9 codes -- about 16,000 codes that identify patients' medical

problems and treatments.

It was the next version of those codes -- ICD-10 -- that federal regulators put off implementing in April. Had they not acted, about 155,000 highly specific codes would have been rolled out.

The use of such complex codes has led to the creation of a multitiered cottage industry whose main purpose is to gain as much money as possible for each player.

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Kevin Theiss, vice president of revenue cycle for Summa Health System, oversees patient billing and claims processing for a network of hospitals and community health centers. Theiss and others believe the billing system is too complicated. "We're trying to make it better," he added.

There are certified coders, "revenue cycle" consultants, auditors who check claims, "denial management" experts who step in for hospitals and doctors to help negotiate with payers for more money,

and debt collectors who specialize in "accounts payable," or the bills hospitals and doctors think they can get the patients to pay if they press hard enough.

Consumers, in contrast, have no army of experts. They pretty much just have themselves and their bills.

Medical bills linked to foreclosure, bankruptcy

"It's hard for a consumer to know if there was an error or not because all the numbers look arbitrary," said **Christopher Robertson**, an associate professor of law at the University of Arizona who studies causes of foreclosure and the link to medical bills.

Robertson found **in a small 2008 survey** that a medical crisis contributed to half of all home foreclosures in four states. A larger follow-up study, which will also look at homeowner interactions with health insurers during the foreclosure process, is in the field now.

Medical bills are one of the major reasons bankruptcies are being filed in the five northern Ohio counties served by the **Legal Aid Society of Cleveland**, said staff lawyer Michael Attali. The group worked on 2,572 bankruptcy cases last year on behalf of its low-income clients.

Attali and others say that billing errors, or disputes over payment for care, often are a part of the crushing debt facing people considering bankruptcy, but just a part.

"Imagine how stressful this is when you are sick," added Melanie Shakarian, a Legal Aid spokeswoman. "And how this prevents you from getting better."

At the **Gathering Place**, a local nonprofit that provides support to cancer patients, Betsy Kohn sees firsthand how medical billing problems are an added trauma for people battling life-threatening illnesses. She is the director of volunteers.

"For some, it's so much of a stress that they don't do anything about it at all," Kohn said. "They put everything into a shoe box."

The group has helped hundreds of patients with billing errors and mounting medical debt since it was founded 13 years ago. It doesn't provide financial assistance, but offers the service of a trained volunteer to help people navigate the medical billing maze.

But appealing to medical providers and insurance companies can be tricky, and often fails, leaving consumers with the unpleasant prospect of paying more than they believe they owe or facing a collection agency.

Unpaid medical bills are routinely reported to the three national credit agencies as delinquent accounts, resulting in people being denied loans or having to pay higher interest rates to borrow money. Blemishes on credit reports also can hurt people's chances of getting jobs in cases where employers check creditworthiness.

Last year, hundreds of people filed medical billing complaints with Ohio Attorney General Mike DeWine. But the Consumer Sales Practices Act, which DeWine enforces, specifically exempts nearly all medical billing disputes.

The Ohio Department of Insurance reviewed 2,267 consumer complaints in 2011. In nearly 30 percent of the cases, department investigators found the insurance company, self-insured employer or agent to be at fault. The agency doesn't have jurisdiction over disputes with doctors or hospitals.

"A coding error should be fairly easily resolved," but often is not, said Mark Rukavina, director of the **Access Project**, a Boston-based nonprofit group that provides free help to people with medical debt issues.

Rukavina is hesitant to call the problems with medical bills simply errors. Instead, he said, it is

a gray area where some are simple mistakes but others are purposeful and bordering on fraud. He's not alone in his suspicions.

Hospitals and physicians nationwide have been scolded by regulators for two practices designed to derive more money: "unbundling," which is charging individually for services as opposed to billing at a lower package rate; and "upcoding," a practice whereby providers designate a code for a more severe treatment than was administered.

Politicians in many states, including Ohio, have passed laws to ban the practice of what is know as "balanced billing," where a patient is asked by the hospital or doctor to pay the difference between a charge and the amount negotiated between the provider and the insurance company.

Are those errors? Are they fraud? Rukavina asked.

"I don't know where you draw the line," he said. "Any one of those categories results in bills to patients that they aren't really obligated to pay."

*Reported and written with Plain Dealer reporter **Dave Davis**.*

To reach these Plain Dealer reporters: **medbills@plaind.com**, *216-999-3660*

A note to commenters

We want to hear your stories and what you have to say about this issue. But for your privacy and to be fair to health care providers, please use our **survey form** if you want to report a specific problem. If you name a provider in a comment, we may have to remove it since we won't be able to immediately verify the facts of the case. Thank you for your cooperation.