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Full Price

A Young Woman, An Appendectomy, And a \$19,000 Debt

Ms. Nix Confronts Harsh Fact Of Health-Care Economics: Uninsured Are Billed More

Moving In With Mom at Age 25

By LUCETTE LAGNADO

NEW YORK—Dreams of a bright career in a big city lured Rebekah Nix here from the western plains of Texas two years ago. An appendectomy sent her home.

But not because she was ill. Ms. Nix, 25 years old, was fleeing the nearly \$19,200 in medical bills that had piled up on her bedroom dresser. The college graduate and former magazine fact-checker couldn't fathom how two days in a hospital could cost so much, until she learned that people like her—who don't have health insurance—often are expected to pay far more for their medical care than large insurers, health-maintenance organizations or even the U.S. government.



Rebekah Nix

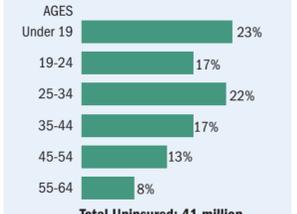
The hospital where Ms. Nix was treated, New York Methodist in Brooklyn, typically bills HMOs about \$2,500 for an appendectomy with a two-day stay, compared with the \$14,000-plus doctors' fees—that Ms. Nix was billed. The hospital gets paid about \$5,000 from Medicaid, the state and federal health program for the poor, and about \$7,800 from Medicare, the federal program for the elderly, for the same procedure.

"Why does a single person get stuck with the whole bill?" Ms. Nix asks. "An uninsured person would have a lot less money than those government agencies or insurance companies."

Ms. Nix stumbled onto a troubling fact of health-care economics: Most major U.S. hospitals are required to set official "charges" for their services, but then agree to discount or even ignore those charges when getting paid by big institutions such as insurance companies or the government. As a result, almost no one but

Young and Exposed

U.S. uninsured population by age in 2001



Total Uninsured: 41 million
Note: The number of uninsured older than 65 is 0.8% because they are covered by Medicare
Source: Kaiser Commission on Medicaid and the Uninsured/Urban Institute analysis

uninsured individuals ever faces the official charges. In some ways, hospital charges are like automobile "list prices" or hotel "rack rates"—posted prices that everybody knows nobody pays. But in the case of hospitals, the pricing disparity isn't publicly known and falls most heavily on the vulnerable. America's 41 million people without health insurance tend to be young, working-class and unaware that they are being billed more than everyone else for the same services.

At the same time, charges at virtually all hospitals have soared in recent years. That's partly due to the rising costs of new procedures and drugs. Also, deregulation of the hospital industry removed limits on charges in almost all states. But some hospitals say they are raising charges to offset what they view as overly harsh reductions in their reimbursements by HMOs, insurers and the government. That would mean hospitals

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What's News—

Business and Finance World-Wide

GASOLINE PRICES are likely to remain high due to tight crude-oil supplies and production problems, particularly on the West Coast. Oil prices fell Friday, in part on reports that Saudi Arabia had chartered tankers to ship nearly 30 million barrels of crude to the U.S. in early May. But the shipment may be too little and too late to be reflected in gas-pump prices. (Articles on Pages A2 and C10)

U.S. industrial output grew slightly in February, but consumer sentiment fell to the lowest level in more than a decade. **Consumer confidence** is falling faster among older Americans than among younger people, a wide range of indicators show. (Articles on Page A2)

Deutsche Bank's CEO said the German government should make plans for a bailout in light of the country's banking crisis. (Article on Page C1)

European investors could lighten their exposure to U.S. shares due to economic concerns stemming from an Iraq war. (Article on Page C1)

The SEC faces hurdles in proving financial firms knew of fraud at companies that used complex transactions, a GAO report said. (Article on Page C1)

Elan's deal to sell the U.S. rights to two drugs may be imperiled by a probe into whether Elan impeded competition. (Article on Page B4)

Merrill Lynch rewarded both its chairman and its CEO with \$7 million bonuses last year despite the stock-market slump. (Article on Page C4)

US Airways submitted to bankruptcy court a new board heavily weighted toward the airline's lead lender and unions. (Article on Page B2)

Ahold's rapid expansion in recent years sometimes concealed problems with the Dutch supermarket company's acquisitions. (Article on Page B3)

Monsanto has been contacted by the government in a probe of possible anticompetitive practices in the herbicide industry. (Article on Page C10)

BMG's chairman has slashed jobs and cut costs at the Bertelsmann music unit, which is set to post an operating profit for 2002. (Article on Page B1)

The NYSE proposed limits on how much money can flow between directors' companies and firms on whose boards they serve. (Article on Page C10)

Remittance payments by Latin Americans working abroad surged to over \$32 billion last year from \$23 billion in 2001. (Article on Page A2)

Sears is sponsoring a home-decorating show on the WE cable-TV network in which viewers will vote on design choices. (Article on Page B8)

Yahoo is launching a video-subscription service that will offer exclusive entertainment and sports content for a monthly fee. (Article on Page B5)

Buffett's assertion that a leading reinsurer isn't paying claims has turned a spotlight on a growing insurance-industry problem. (Article on Page C1)

Markets—

Stocks: NYSE vol. 1,528,454,120 shares, Nasdaq vol. 1,583,530,819. DJ Industrials 7859.71, ▲+37.96; Nasdaq composite 1340.33, ▼-0.44; S&P 500 index 833.27, ▲+1.37.
Bonds (4 p.m.): 10-yr Treasury ▲+9/32, yld 3.712%; 30-yr Treasury ▲+11/32, yld 4.720%.
Dollar: 118.33 yen, -0.21; euro \$1.0743, -0.64 cent against the dollar.
Commodities: Oil futures \$35.38 a barrel, ▼-\$0.63; Dow Jones-AIG futures 117.923, ▼-0.925; DJ-AIG spot 152.517, ▼-1.063.

WAR LOOKS IMMINENT as Bush set a "moment of truth" at the U.N. The president, at a snap Azores summit with Britain, Spain and Portugal, said diplomatic efforts to disarm Saddam Hussein will end today. Big weekend protests accompanied the meeting. British Labour leaders plan a fresh rebellion against Blair. The Iraqi dictator vowed to fight the U.S. "anywhere in the world." The U.N. flew most of its helicopters out of Baghdad; the U.S. and Germany began moving diplomatic personnel from the region. A B-1 heavy bomber took part in a western Iraq raid for the first time. As hope faded for a northern front from Turkey, the U.S. pressed Ankara to keep its army out of the Kurdish zone in northern Iraq. (Column 5 and Pages A3 and A12)

Bush, offering diplomatic help to his allies before the Azores trip, Friday laid out a long-delayed "road map" to Mideast peace, praised appointment of a Palestinian premier and again waived sanctions on Pakistan.

An American college student was killed when she stood in the way of an Israeli bulldozer to protest the razing of a Palestinian home in Gaza, a common reprisal against families of militants. Israel called it a "regrettable accident." Seven Palestinians were killed in weekend clashes.

The World Health Organization declared a global threat from a severe, hard-to-treat pneumonia that has killed nine and infected about 150 in 10 nations or territories. Jet travel quickened its spread. The early responses by China and Vietnam are being questioned. (Pages A3 and B5)

North Korea denounced U.S.-South Korean war games as a "dangerous military racket." Six F-117 stealth fighters arrived last week to participate in the exercises, their first deployment to the region in 10 years.

A U.S. Pakistani raid captured a key al Qaeda figure, Yassin al-Jaziri in Lahore Friday. The hunt for terrorists in the U.S. may have implicated a prominent Islamic scholar in a funding case. (Pages A4 and A13)

Serbia's ruling party named Zoran Djindjic, deputy of the late Premier Djindjic, to succeed the assassinated leader. Huge crowds thronged Belgrade Saturday for Djindjic's funeral.

China completed a change in leadership as the National People's Congress confirmed Hu Jintao president and Wen Jiabao premier. Jiang Zemin will keep a key military post.

NASA laid plans to get the shuttle fleet flying again as early as the fall by preparing to respond quickly to recommendations that emerge from the Columbia investigation. (Page B8)

Moderate House Republicans are joining Senate colleagues in opposing their leadership's budget plans for tax cuts and reductions in programs such as Medicare. (Page B8)

The Justice Department has tallied about 3,000 cases that may have been affected by flawed pre-1997 FBI crime-lab data, but are leaving it up to prosecutors to notify defendants.

Costa Rica granted political asylum at its embassy in Caracas to a Venezuelan labor chief who led the recent strike against Chávez's rule.

Rebel soldiers took control of the Central African Republic's capital while President Ange-Felix Pastasse was taking part in a Niger summit.

The University of Texas filed federal charges against a student hacker who allegedly broke into a university database recently and stole identities.

The Treasury Department has told Congress that new security features incorporated in recently redesigned bills have sharply cut counterfeiting.

Antiwar protesters may be shot if they carry out threats to infiltrate Vandenberg Air Force Base in California, officials at the facility warn.

Average life expectancy increased to 77.2 years for Americans in 2001, according to the CDC, with men living 74.4 years and women 79.8 years.

Follow the Money: Scott Hensley reports on a venture that gracefully sidesteps conflicts posed when drug firms sponsor medical education.
Market Matters: Wall Street pros discuss four investment themes worth watching besides Iraq.

Lure of Ice Fishing: Once, It Was Quiet; Now, It's the Hunt

Dave Genz Pushes New Gizmos And Staying on the Move; 'Swiss Cheese' on the Lake

By ELLEN BYRON

WEST RUSH LAKE, Minn.—The ice was nearly 2 feet thick, but fisherman Dave Genz cut through it in about 15 seconds with his gasoline-powered drill.

He spent another 30 seconds setting up his canvas hut. Then he dropped his electronic depth finder down the 7-inch-wide hole, followed by a fishing line. After 15 minutes without a bite, he dragged his gear 5 feet away and drilled another hole.

"If you move, you'll stay warm," said Mr. Genz, dressed head-to-toe in Gore-Tex to fight the five-degree air temperature and 20-below wind chill. "And you'll catch more fish."

Most ice fishermen stay in the same place all day—or even all winter—sitting, drinking and playing cards. If they catch fish, so much the better. But Mr. Genz has no patience for that. Instead of waiting for fish to come to them, he thinks anglers should go after fish, no matter how many holes they leave drilled in the ice.

His approach has transformed the sport and turned Mr. Genz into a celebrity among buffs. It has also made him the object of scorn among traditionalists.

"They turn the ice into Swiss cheese," says 35-year-old Larry Johnson, an ice fisherman from Fridley, Minn., whose ice house has a wood floor and a space heater. He and his friends from high-school days have fished the same spot on Fish Lake for the past 18 years. "I know people who have sprained their ankles walking around all those ice holes. And the noise is really irritating."

Mr. Genz says every revolutionary has met with resistance. "Once they see I catch more fish," he says, "they start paying attention."

Mr. Genz, 55, was working as a maintenance engineer in Minneapolis when he launched his crusade 23 years ago. He had always loved the sport and was frustrated that men and women who fished through ice didn't realize how similar it could be to open-water fishing. Ice anglers, he believed, should move around a frozen lake just as readily as they would in the summer in boats, casting lines here and there. He found they were also reluctant to accept some of the technological innovations—including recent advances such as underwater cameras and global positioning satellites—that they were already using on boats.

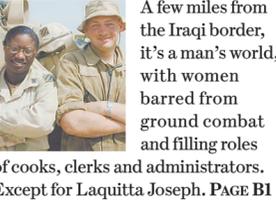
In 1980, his wife, Patsy, helped him build a portable canvas ice house. While others were cozy in huts that have increasingly come to resemble double-wide trailers, Mr. Genz moved around like a heavily dressed nomad, his gear in tow. On his 40th birthday, he realized he wanted a career he would never want to retire from, so he quit his maintenance job to take up ice fishing full time. He began traveling almost constantly during the ice-fishing season, from North Dakota to New York, appearing at sports shows and fishing seminars, sharing his gospel on how the sport should evolve into something requiring more action.

Last winter, more than 1,000 people competed in five ice-fishing tournaments—referred to as "Trap Attacks"—organized by Mr. Genz and his partner, Dennis Clark. Nearly all the participants—and every one of the winners—used Mr. Genz's mobile and high-tech approach.

The contests served as qualifying rounds for the first North American Ice Fishing Championship in Alexandria, Minn., in December. Only anglers who placed in the top 10 of each Trap Attack

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A Woman Near the Front



A few miles from the Iraqi border, it's a man's world, with women barred from ground combat and filling roles of cooks, clerks and administrators. Except for Laquitta Joseph. PAGE B1

Weathermen With M-16s

Trying to anticipate sandstorms and heat, military forecasters with lightweight gear can move closer to front lines than ever before. A4

Hard Line In Iraq Drama, Cheney Emerges As President's War Counselor

As Bush Pursued Diplomacy, Vice President Made Sure Invasion Remained on Table

Photo Op at Azores Summit

By JEANNE CUMMINGS AND GREG HITT

WASHINGTON—Last September, President Bush set out on two tracks for dealing with Iraq that were never going to be easy to reconcile.

On Sept. 12, the president stood before the United Nations and asked for new Security Council resolutions calling on Iraq to peacefully disarm. But two days earlier, Mr. Bush had received a proposal to deal with Iraq in a manner more favored by his influential vice president, Dick Cheney: an updated plan for invasion.

The divergence of the two paths was fully apparent yesterday, when Mr. Bush joined his two closest allies on the Azores Islands and called on the United Nations to immediately fall in line behind the unconditional disarmament of Saddam Hussein, by force if necessary.

"Tomorrow is a moment of truth for the world," declared Mr. Bush, flanked by British Prime Minister Tony Blair and Spanish Prime Minister José María Az-

nar. Their joint news conference made clear that without U.N. action in the next 24 hours, the military option would become the only one left on the table.

It's also clear in retrospect that Mr. Bush always harbored doubts about what the diplomatic route could produce—and that Mr. Cheney has quietly reinforced those doubts. At crucial points in the last eight months, he has stepped up internally with qualms about relying on the U.N. to finish what he considered to be an American job—and has sown doubts about the usefulness of the U.N. at all.

While much attention in the move toward war with Iraq has been focused on the roles played by Defense Secretary Donald Rumsfeld, Secretary of State Colin Powell and national-security adviser Condoleezza Rice, the vice president has played the largest role of all. That dynamic was clear yesterday, as the Iraq drama reached its final act. The two most overpowering pictures were of Mr. Bush at a summit meeting and Mr. Cheney, after nearly a month out of public view, emerging to make the case for war with lengthy interviews on national television.

"There's no question but [that] we're close to the end, if you will, of the diplomatic efforts," Mr. Cheney told NBC's Meet the Press. In one stark comment, he also made clear his underlying views of the U.N. "I don't think we damaged the United Nations. I think the United

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Building the War Front

- Sept. 10, 2002:** General Tommy Franks delivers updated Iraq invasion plans.
- Sept. 12:** Bush urges U.N. to confront "grave and gathering danger" of Iraq, says U.S. will act alone if necessary.
- Nov. 8:** U.N. Resolution 1441 passes, threatens "serious consequences" if Iraq fails to disarm.
- Dec. 19:** Pentagon prepares a series of deployment orders that will wind up sending more than 250,000 troops to the Persian Gulf region.
- Jan. 30, 2003:** Cheney (right): "Our purpose is not simply to follow a process... the course of this nation does not depend upon the decisions of others."



Bush Has an Audacious Plan To Rebuild Iraq Within a Year

By NEIL KING JR.

WASHINGTON—The Bush administration's audacious plan to rebuild Iraq envisions a sweeping overhaul of Iraqi society within a year of a war's end, but leaves much of the work to private U.S. companies.

The Bush plan, as detailed in more than 100 pages of confidential contract documents, would sideline United Nations development agencies and other

yesterday that if it comes to war he plans to "quickly seek new Security Council resolutions to encourage broad participation in the process of helping the Iraqi people to build a free Iraq."

But U.N. officials said they still have no clear indication how the administration might involve the international body, especially if many of the large rebuilding tasks are already farmed out to U.S. companies directly answerable to Washington.

The U.S. plan as currently laid out would thrust the U.S. to the forefront of nation building, an endeavor Mr. Bush disparaged during the 2000 presidential campaign, before Afghanistan and Iraq. Within weeks of a war ending, the administration plans to begin everything from repairing Iraqi roads, schools and hospitals to re-vamping its financial rules and government payroll system. Agencies such as the U.S. Treasury Department would be deeply involved in overhauling the country's central bank, and some U.S. government officials would serve as "shadow ministers" to oversee Baghdad's bureaucracies.

The White House is expected to ask Congress for as much as \$100 billion to wage a war in Iraq and pay for the aftermath. Included in this would be a request for \$1.8 billion this year for reconstruction and about \$800 million for relief assistance. However, the U.N. Development Program estimates that reconstruction alone could cost \$10 billion a year over three years.

European officials, and even some prominent Iraqi dissidents, have reacted to the current U.S. plans with disbelief. They charge that efforts to keep the U.N. and non-U.S. contractors on the sidelines will delay reconstruction in Iraq and stir

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INSIDE TODAY'S JOURNAL

Communicating Chaos

On 9/11, crisis messaging systems went haywire. Today, in city after city, police and firefighters still face huge problems talking to each other during an emergency. B1

Will Europe Cash In Some Wall Street Chips?

European investors could lighten their load, fund managers say—less for political reasons than concern about a war's cost to the U.S. economy. ABREAST OF THE MARKET, C1

SMALL BUSINESS



Entrepreneurs' Biggest Problems—And How They Solve Them
Plus: Dreaming of QVC
And: A Heads-Up Hat Firm
REPORT BEGINS ON R1

For Least Able to Pay, the Highest Hospital Bills

Continued From First Page
 are effectively subsidizing their lower income from patients who are insured or have a government safety-net by boosting fees paid by the uninsured.

"It is a reflection of the insanity of the system," says Bruce Vladeck, a hospital-policy expert who ran Medicare in the 1990s. "The most vulnerable members of society" are being asked to "pay cash at list."

In many areas, hospitals have cranked up their charges far beyond the cost of providing treatment. Before deregulation in 1997, hospital charges in New York state couldn't be more than 30% above costs. They now are an average of 87% above costs, says the Greater New York Hospital Association, an industry trade group, citing federal data. In California, charges have ballooned to 178% above costs. By contrast, in Maryland, where hospital charges are still strictly regulated, charges average only 28% above costs, says Hal Cohen, a Maryland health consultant.

At many hospitals, the practice of cutting prices for big insurers, HMOs and the government has become so routine that the discount is calculated automatically and appears on bills alongside the original charge. The amount of the discount usually depends on how aggressively a particular insurer bargained with the hospital, or on terms struck with a government program, or how much other hospitals in the area are discounting. But uninsured patients aren't told that big institutions get these reduced rates. Some hospitals then retain collection agencies to pursue the uninsured with hard-nosed tactics such as suing, garnishing wages and slapping liens on homes.

"Hospitals have a choice as to who will bear the costs," says Elizabeth Warren, a Harvard Law School professor who is studying the effects of health-care costs on the uninsured. "There is someone to negotiate on behalf of the insurance companies. There is someone to negotiate on behalf of the state ... But there is no one to negotiate on behalf of people without insurance."

Hospitals say they have no choice but to give steep discounts to powerful payers, even if that means uninsured patients end up being faced with higher bills. Mark Mundy, president and chief executive of New York Methodist, says his private, not-for-profit hospital looks to competitors in setting its charges, and must offer discounts to HMOs and insurers or they won't do business with it. As for the government, it pays whatever it wants. "Pricing makes no sense, we all know that," Mr. Mundy says.

Hospitals also point out that most uninsured patients don't pay their bills—the rate of default varies across the country—yet hospitals are required by law to treat all emergencies. "Anybody that shows up in my ER, the first question isn't, 'Can they pay?' The question is, 'What are we going to do,'" to care for them? Mr. Mundy says. "If I had 5,000 Ms. Nixes, how

do I handle them and keep this place alive?" Mr. Mundy says many uninsured patients, especially those who aren't indigent, could afford insurance and should bear at least some responsibility for their care. He adds that New York Methodist, unlike many hospitals, doesn't charge interest on unpaid bills.

Advocates for the uninsured say poor people without insurance should be charged the same, low rates that Medicaid pays. Instead, they are asked to pay "what the Emir of Kuwait pays," says Elisabeth Benjamin, a health attorney with the Legal Aid Society in New York. Royalty and other wealthy foreigners flock to U.S. hospitals, where they're among the few uninsured patients who can afford to pay full freight.

Ms. Nix's billing problems started on a Saturday afternoon last April when she arrived in agony at New York Methodist. The previous night, she had felt stabbing pains in her abdomen while celebrating her 25th birthday with friends at a Manhattan bar. She had left early, staggered home to Brooklyn, and went to bed figuring she had food poisoning or the flu. When she awoke to the same unrelenting pain, her boyfriend's mother, a registered nurse, insisted she go to the nearest hospital. As she sat in a hard metal chair in the emergency room, she began to worry: How much is this going to cost?

Ms. Nix had arrived in New York a little less than two years earlier, fresh from graduating Phi Beta Kappa from Southwestern University in Georgetown, Texas. Growing up in Midland, Texas, she saw her hometown as a "desolate wasteland" where social gatherings often revolved around high-school football. Her ticket out was a summer internship at Ms. Magazine in Manhattan, which she loved. "This is the greatest city to be young in," she says. "I had no intention of ever leaving."

But the internship paid just \$150 a month. Ms. Nix helped support herself by working as a waitress while sharing a basement apartment that cost her \$350 a month in rent. The magazine soon hired Ms. Nix as a full-time fact-checker with an annual salary of \$30,000 and health benefits. But it was struggling financially, and Ms. Nix was laid off after Sept. 11 terrorist attacks. The magazine, as required by law, offered to maintain her health insurance if she paid \$330 a month, but Ms. Nix demurred. She figured she couldn't afford it on unemployment payments of \$1,122 a month, and thought she could land another job with benefits. Besides, she thought, she was young and had always been healthy.

In the months before her illness, she tried offering her fact-checking services as a free-lancer, but jobs were sporadic. She was determined to be independent, so she didn't want to tell her divorced parents that she'd lost health coverage. Her mother, who runs a small medical-supply business she founded near Midland, might have been able to help. Her father, an independent oil consultant, struggles financially. By going

without coverage, Ms. Nix became one of the estimated 39% of uninsured Americans who are between the ages of 19 and 34, according to the Kaiser Commission on Medicaid and the Uninsured in Washington.

In the emergency room at New York Methodist, someone asked her to collect a urine sample in a paper cup. She kept it at her side for six hours, until at last she was admitted to the clinical area of the emergency room and asked to wait on a gurney. Ms. Nix remembers telling nurses and doctors that she had no money and no insur-

ance. She had a prescription for painkillers but decided not to fill it because of the expense. She also decided to skip a follow-up visit that Dr. Gorecki had recommended. Two weeks later, she received a letter from the hospital offering advice on how she could apply for Medicaid. The letter also gave the first hint as to how much she would be billed: "Note: hospital bill is \$12,973."

In mid-June, she learned that Medicaid had turned her down because her income was too high. New York's Medicaid rules say a single person's income can't exceed

\$2,500, says Medicare typically pays him only \$589 for a laparoscopic appendectomy, and Medicaid usually pays an even skimpier \$160. The New York Health Plan Association, an HMO trade group in Albany, N.Y., says Brooklyn surgeons get an average of \$600 for a laparoscopic appendectomy.

Ms. Nix's bank account held less than \$2,000. She tossed some of the bills on her dresser, unopened, and tried not to think about the debt. But often she could think of nothing else. "I knew that I was going to be in major trouble financially," she says.

Her last hope was the Medicaid hearing, which was held on a sweltering July morning at the city's Medicaid headquarters. The building was jammed with applicants standing in lines and sitting in rows of plastic chairs, waiting to see case workers. Judge Michael Vass sat at a desk facing Ms. Nix. She recalls his telling her: Your case "is bad, but there are people who come in here and they have cancer and they make too much for Medicaid. Unless you are over 65 or under 18 or deaf or blind, you are not going to get Medicaid." Ms. Nix burst into tears.

She wasn't sure what to do. Her parents offered conflicting advice. Her mother, whose work has familiarized her with the medical system, told Ms. Nix to get tough with the hospital and negotiate a deal to pay a few dollars a month. Her father told her she should repay the debt she'd incurred, whatever the hardship. Without Methodist's care, he reminded her, she could have died.

In late August, a new hospital bill arrived, listing the total amount due as \$14,182. The hospital had added an additional charge of \$1,072 earmarked for the Bad Debt and Charity Care Pool, a state fund that compensates hospitals for caring for the uninsured. Ms. Nix was stunned by the irony. "Tack on another grand I can't pay, but use it to help someone else!" she says.

The inequity in health-care pricing is rooted in a policy that was designed to prevent it. Rules dating back to the establishment of Medicare in the 1960s require hospitals participating in the program to set uniform charges for all procedures. The idea was to prevent hospitals from charging some classes of patients, such as Medicare beneficiaries, more than others. Hospitals were free to set charges—typically kept on voluminous lists called charge masters—as they wished, depending on costs, local competition and state regulatory limits.

In the early years of the program, charges roughly correlated to hospitals' costs plus a modest profit, and reimbursements closely tracked charges. Then, in the mid-1980s, Medicare started pegging most payments to standardized diagnostic codes rather than to hospitals' charges. As HMOs became more powerful in the late 1980s and early '90s, they negotiated their own rates with hospitals.

Ms. Nix contacted the hospital and the doctors who had worked on her, seeking a break. Dr. Gorecki, the surgeon, immediately slashed his fee to \$1,000 from

\$2,500—a break he often gives to the uninsured. Ms. Nix says she has sent him two checks for \$20 each. The hospital was somewhat less obliging. It offered to reduce her bill by 20%. Ms. Nix says the hospital demanded that she agree to pay within a month or two, but Ms. Hill, the New York Methodist spokeswoman, says the hospital gave Ms. Nix a full year to pay. Under those terms, she would have faced monthly payments greater than \$900 a month.

Ms. Hill says three or four uninsured inpatients a month, out of an average of about 90 uninsured inpatients treated, call with concerns about their bills, and they are routinely offered a 20% discount off charges before the bill is assigned to a collection agency. Even so, Ms. Hill says, uninsured patients "almost never pay." New York Methodist says that it racked up \$50 million last year in "bad debt and charity care," or about 14% of its annual budget.

However, those figures are based on the hospital's charges, not its costs. Also, the hospital is able to mitigate some of these losses by tapping into the New York Bad Debt and Charity Care pool. In 2001, the latest year for which figures are available, Methodist collected \$13 million to \$14 million from the pool. A state health-department spokesman says the pool on average reimburses hospitals for their costs at about 50 cents to 70 cents on the dollar.

On Oct. 21, Ms. Nix sent a letter to the hospital. "I understand that I am indebted to Methodist hospital," she wrote. "The staff was so kind to me during my stay." But, noting that her bills for the surgery totaled nearly \$19,200, she wrote: "This is more money than I will make this year, almost twice as much." She added: "I do not wish to pay nothing for the life-saving services I received," but she said she couldn't pay what Methodist wanted. She had consulted bankruptcy lawyers and was considering returning to Texas.

The hospital didn't respond to the letter. Ms. Nix soon started telling shocked friends that she was leaving. On Nov. 5, she stuffed everything she could into two suitcases and flew home on a ticket her mom had given her.

After The Wall Street Journal contacted New York Methodist about Ms. Nix, the hospital told her it would reduce her bill to \$5,000—essentially what Medicaid would have paid, says Methodist's Ms. Hill. The hospital also said it would give Ms. Nix one year to pay, provided she pay \$3,000 up front, which she has yet to do. She says she hopes to start paying the hospital back within a year.

In Midland, she has taken over her younger brother's old bedroom. Life is slower, and she has gone to some high-school football games. "I miss the glamour of the city," she says. For the past few months, she has been working part-time at her mother's medical-supply firm, where she earns \$7 an hour for filing and filling out forms. She also has been doing unpaid research for her father. Her mother's company couldn't offer her health benefits because they were too expensive to provide. Two weeks ago, Ms. Nix finally purchased health insurance.

Behind the Bill: Who Pays What

Hospitals are required to list official charges for all procedures. But big players such as HMOs, insurance companies and the government routinely negotiate or demand big discounts. Uninsured patients are almost always faced with full charges. Below, a sampling of charges and discounts for a relatively common procedure: a diagnostic bilateral mammogram.

HOSPITAL (LOCATION)	OFFICIAL CHARGE	ACTUAL PAYMENT			POLICY ON UNINSURED
		MEDICAID	MEDICARE	HMOs, HEALTH PLANS	
UCLA Medical Center (Los Angeles)	\$460	\$127	\$90	Up to \$242	Gives discounts based on individual's ability to pay, says CFO Sergio Melgar
Oregon Health & Science University (Portland)	\$240	\$65	\$59	Average \$128	Works with uninsured patients to help them find financial aid; offers sliding scales, payment plans
Jamaica Hospital (Queens, N.Y.)	\$351	\$50	\$96	\$40 to \$78	Has sliding fee scales for uninsured, says CEO David Rosen
Johns Hopkins Hospital & Health System (Baltimore)	\$261	\$156	\$173	\$186	State regulation of charges reduces disparity between bills to insured and uninsured
Grinnell Regional Medical Center (Grinnell, Iowa)	\$285	\$73	\$79	\$119 to \$190	Works with uninsured to set a payment schedule

Note: Charge includes hospital and physician fees.

Source: the hospitals

ance. No one seemed to mind, she says. Still, she'd heard horror stories about how costly a hospital could be and decided to try to leave as soon as possible.

When she woke up on Sunday morning, she was still on the emergency-room gurney, and the pain seemed to have subsided. "Maybe I am going to go home," she told a doctor. "I don't have health insurance." According to Ms. Nix, the doctor responded: "It is \$1,000 to come to the ER, and it is another \$1,000 to come in again." Ms. Nix resigned herself to staying. But while undergoing two CT-scans, she recalls telling doctors, "I don't want any extras."

Tests confirmed she had appendicitis. Her surgeon, Piotr Gorecki, removed her appendix using laparoscopy, a method that requires a shorter hospital stay than traditional invasive surgery. The one-hour surgery went smoothly. Ms. Nix was recovering in her room when an attending doctor ordered that she be given a nicotine patch. She regularly used one to control a smoking habit, but she balked at it now, worried about the cost. The doctor insisted, she says.

Ms. Nix left the hospital on Monday afternoon, 42 hours after being admitted.

\$352 a month, unless she's certified as disabled. The hospital urged Ms. Nix to appeal at a hearing before a state administrative-law judge, and she arranged to do so.

In July, Ms. Nix received her hospital bill. It showed charges for two days at \$1,550 a day, even though she spent the first night on the emergency-room gurney. It also listed operating-room charges of \$5,340, a charge of \$540 for the recovery room and a charge of \$850 for the emergency room. Every test administered in the emergency room was charged separately. Her two CT-scans together came in at \$2,120. One charge, which showed up in a more-detailed bill, brought a wan smile to her face: \$8 for the nicotine patch. Lyn Hill, a spokeswoman for New York Methodist, says Ms. Nix was admitted at 10 p.m. Saturday and remained through Monday, so it was appropriate to charge her for two nights, regardless of where she slept.

The total: \$13,110. Soon after, she received \$5,000 in separate bills from Dr. Gorecki, an anesthesiologist and other doctors who had seen her at Methodist. Much like hospitals, some doctors also routinely accept lower payments from insurers, HMOs and government programs. Dr.

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