



Roy Davis traded letters, phone calls, and visits with CAMC for four months over the \$20,000 bill for his wife's broken leg. "I can afford the co-pay," he said. "But that's not the point. If people pay bills like this without question, it drives up everyone's bill. Think of the uninsured person who has to pay every penny of this."



Hospitals hike the bills of uninsured people and commercially insured customers like Davis to make up for low payments from government insurance, said CAMC finance chief Larry Hudson. In 2002, CAMC lost \$67 million on government insurance, he said. Then there is the cost of technology: \$3,500 heart valves, \$25,000 defibrillators, \$5,000 pace-makers.

August 3, 2003

Hospital sticker shock

- Working poor - and many with commercial insurance - pay at least twice what the government pays

By [Kate Long](#)
Staff Writer

One night last May, Carolyn Davis was fixing up her Kanawha City home for her granddaughter's visit. She tripped on the stairs, fell and broke her leg in three places.

She spent four days in Charleston Area Medical Center.

"She got beautiful care from the medical staff at Charleston General," her husband, Roy, said. "Then the accountants took over."

The total bills for that broken leg have topped \$28,000. The hospital bill alone is more than \$20,000, ambulance included.

"A broken leg should not cost this much," Roy Davis said, spreading bills across his kitchen table.

That \$20,000 did not include the surgeon, anesthesiologist, emergency room fees or

physical therapy. "Those bills all came in separately," he said. "Here are X-rays and physical therapy, separate bills. Here's somebody who assisted in the surgery, \$500. More X-rays. Here's the surgeon, around \$2,700."

Carolyn Davis is insured under her husband's Aetna policy, and Roy Davis is a man who likes to know what he's paying for. Before he retired, he managed construction for Union Carbide, worldwide. "I supervised buying for all of Carbide, for every storeroom," he said. "Part of my job was to question any bill that looked out of line."

He loves efficiency. He loves to find the best price for materials. "At Carbide, we didn't pay a bill 'til we knew what it was," he said. He is flabbergasted that it has been so hard to get comprehensible answers to his questions about his wife's bill.

Through a series of meetings with CAMC personnel, he keeps asking questions such as:

- What is this \$359.55 for 09980863? And what is the \$133.50 for OPEN PROC BON? "CAMC people told me, at two different times, that both are the anesthetist fee. They can't both be."
- Why did you bill us \$275 for a walker I could buy for \$45 at Boll Medical?
- "What are these two \$816 items on the bill labeled DRIL? If they're drills, I ought to have them. I'm a mechanical engineer. If I paid for two \$816 drills, I want them."
- Why does a disposable tourniquet cost \$217? What did you pay for it?
- Why was my wife billed \$200 an hour for four hours she laid on a gurney in the Charleston Memorial emergency room because there was no ambulance to take her to Charleston General?

"In private industry, if you operated this way, you wouldn't stay in business for long," Davis said.

But hospital finance is nothing like private industry. "Health care ... exists in its own financial Bizarro Universe where the rules are different," the authors of "The \$49,000 Hip and Other Oddities," wrote in the fall 2003 Money magazine. "It's futile to apply the rules you would use to analyze any other kind of business. The way hospitals bill and get paid for their services is contradictory, opaque, and labyrinthine almost beyond comprehension."

This is not the story of an out-of-bounds hospital bill. It's scarier than that. This bill is not particularly unusual. The story is not about CAMC alone. Hospitals in general bill this way.

Nationally, in 2002, for the second straight year, "health-care costs grew nearly four times faster than the U.S. economy grew," according to Health Affairs Journal. And 51 percent of that growth was due to an increase in hospital costs.

Davis stands for many other patients who are stunned when they open their bills. While government insurance payments stay comparatively low, uninsured people - and many private-pay customers - pay top dollar.

Most don't question their bills. "A lot of people say, 'if my insurance company didn't question the bill, I won't,'" Davis said. "But if everyone takes that attitude, prices keep going up, and my insurance rates rise."

The Davises gave the Gazette-Mail written permission to talk with CAMC staff. "Maybe you'll have

better luck than I did," Davis said. CAMC staff said they would not discuss any specific case.

In August, a frustrated Davis wrote a letter to the editor of the Gazette saying that he calculated that he could have saved money if he had rented the ballroom of the Marriott for an operating room, put his wife up in a suite and hired private doctors and nurses.

"The medical staff at CAMC were terrific to us," Davis said. "They took the time to answer any question. But the financial staff has been like diving into a black hole. Why won't they just give me straight answers to my questions?"

Straight answers?

"Good for him," said Sonia Chambers, chairwoman of the state Health Care Authority. "More people should question hospital bills."

The U.S. General Accounting Office estimates that hospital billing errors, nationwide, cost \$10 billion a year. Intracorp, one of the world's largest auditing companies, says that 80 percent to 90 percent of hospital bills contain errors. Equifax, an Atlanta-based credit counseling service, audited more than 4,000 bills and found an average error of \$1,300.

"The problem is, the average person doesn't have a flying chance of making sense of most hospital bills," said Edward Waxman. His firm, Waxman & Associates, audits hospital bills from hospitals all over the country.

Aetna paid 90 percent of the Davis bill with no questions. "People think insurance companies go over their bills line by line, but in general, they don't," Waxman said.

He agreed to look over the Davis bill for the Gazette-Mail. "But if you really want to understand why hospital bills are so high," he said, "first you've got to understand some basics about hospital finance."

Start with this: Each year, every hospital puts together a charge master, a list of thousands of "sticker prices," from cotton swabs to open-heart surgery. Hospitals routinely inflate their sticker prices many times over. Everybody in the hospital world, nationwide, knows that most people do not really pay those prices.

They know government insurance pays far less than sticker. And hospitals give selected commercial insurance companies discounts. The only people who pay full sticker are working uninsured people and insured people who have big deductibles.

A prime example: If Carolyn Davis had been covered by state employee insurance, CAMC would have settled for only \$7,615, instead of \$20,000. In other words, Aetna was billed 163 percent more than the Public Employees Insurance Agency would have paid.

This is normal in the hospital world. If hospitals want PEIA business, they take what PEIA pays.

Carolyn Davis' medical code number was 218. It represents her diagnosis: "lower extremity procedure except hip, foot, femur, age 17 and over, with complications."

PEIA pays \$7,615 for a 218. Medicaid pays \$7,250.

Those numbers drive hospital finance people into frenzies. That amount of money does not cover the

cost of hospital care, said Steven Summer, president of the West Virginia Hospital Association.

Medicare now pays 1 percent less than the cost of care, according to the Medicare Government Advisory Commission. One percent means millions of dollars to a hospital like CAMC, which costs \$1.5 million a day to run.

The problem: Lots of hospital patients have government insurance - between 70 percent and 75 percent of West Virginia hospital patients - compared with 30 percent to 40 percent in most states, Summer said. "We are older and sicker, which means more Medicare and Medicaid," he said. Add PEIA to that.

"Our hospitals have to make up the difference somewhere," he said.

So, like most hospitals nationwide, they jack up prices on the other 25 percent of the patients, he said.

Last year, West Virginia hospitals shifted over \$100 million onto the bills of people like Carolyn and Roy Davis, Summer said. "It's a very vicious cycle. Private insurance companies pay more because government payers pay less. That raises the cost of health care for corporations. Many of them shift more of the insurance premium to their employees or they drop health insurance altogether, and then more people are uninsured."

Hospitals used to be reluctant to talk about that cost shift, said Larry Hudson, CAMC's chief financial officer, "but now we feel it's necessary for people to understand why it's happening. There is a very significant markup, anywhere from double to seven times the cost. The cheaper the item is, the higher the markup."

The markup is less extreme in West Virginia. In cities such as Chicago, hospitals mark bills up 5 to 10 times, auditor Waxman said. Forty-four states have higher hospital markups. A major reason for West Virginia's comparatively low markup: The state Health Care Authority regulates overall hospital price increases. "The sky is not the limit in your state," Waxman said.

Nonetheless, "We are headed for a train wreck," said Summer. "There is no way that West Virginians who are insured can pick up a gap of over \$100 million left by governmental payers every year." West Virginia hospitals plan to propose a new system that covers more uninsured people and requires government payers to pay more, he said.

Then there are those discounts

In states such as Illinois, hospitals commonly give insurance companies 40 percent to 50 percent breaks too, according to the Hospital Accountability Project. West Virginia's insurance companies and HMOs represent fewer people, so they don't have the clout to demand big discounts.

Fewer insured West Virginians have discounts. More pay top dollar.

Discounts make hospital billing even more unpredictable: If Carolyn Davis had gone to St. Francis or Thomas Memorial Hospital, her bill would have been thousands less. Both those hospitals gave Aetna a 25 percent discount at the time she broke her leg. CAMC did not give Aetna a discount at all.

If Davis had been insured by Carelink, CAMC would have knocked 37 percent off her bill. Thomas gives Carelink a 15 percent discount.

Still, the Davises did get some breaks. Their surgeon reduced his fee by 30 percent because he is part of the Aetna "network." They also got discounts on physical therapy and X-rays.

Without those discounts, their total medical bill would have been \$30,426 instead of \$28,555.

This brings us to a brutal paradox of this incompressible billing system: Those least able to pay are charged most.

An uninsured person would have owed every penny of that \$30,426. For the hospital bill alone, he or she would have been billed more than twice what Medicaid pays: 158 percent more.

"When the books of the hospitals are balanced on the backs of the poor and the uninsured, something is really wrong with our system," said Joseph Geevarghese, who directs Chicago's Hospital Accountability Project, run by the Service Employees International Union.

Bad debts, charity care and collection

In yet another paradox, the care the hospital gives some poor people increases the burden on others.

Last year, CAMC provided \$45.4 million in care it didn't get paid for, said Hudson, CAMC's finance chief. "Charity care is our community mission," he said, "so we don't question that." The \$45.4 million (undiscounted prices) also includes bad debt, subject to collection, which includes bills of uninsured people who were charged full sticker. Hudson said it is nearly impossible to separate the two. Nationally, 80 percent of uncompensated care is bad debt, according to the Hospital Accountability Project.

CAMC does give millions in services, support and subsidies to West Virginia Health Right, the Charleston area free clinic. "They are far and away the most generous area hospital in support of what we do," said Health Right Administrator Pat White.

People who make below 150 percent of the federal poverty level and have less than \$50,000 in assets (not counting home and car) can get free care at all three hospitals. St. Francis Hospital offers free care to 200 percent of poverty and a sliding scale for people who make below 400 percent of poverty. The federal government gives hospitals financial breaks in return.

Ironically, uncompensated care adds to the pressure to hike prices. "Ain't it fun?" White sighed. "If you solve a problem in one place, you create one in another."

Nationwide, medical bills are now the leading cause of bankruptcy.

"Poor people are often afraid to question their bills, no matter how weird the bill looks," White said, "because they could lose their houses, their credit rating, job opportunities, ability to borrow money. They are truly intimidated."

The Davises are not immune. "My wife asked the other day why we didn't just pay it, even if it isn't right," Roy Davis said, "because we've never had a mark on our credit, and she's scared CAMC is going to ruin our credit."

Defibrillators and bus ads

The list goes on. Hudson ticks off yet other factors he says force CAMC to hike bills they're allowed to hike:

- The high cost of new medical technology: \$25,000 defibrillators, \$3,600 heart valves, \$2,000 drug-coated stents;
- Rapidly rising malpractice insurance: \$2.9 million in fiscal 2003; \$750,000 in 1999;
- Rapidly rising utility prices and cost of administration: Administrative costs are 1/3 of U.S. health-care costs, twice Canadian costs, according to the New England Journal of Medicine;
- A growing number of competing clinics that offer services like MRIs, draining one of CAMC's money-making areas;
- A 15-year-old facility that needs repair. CAMC is not in good position for the bond market, Hudson said, because Moody's wants a 5 percent profit margin, "and we don't have it."

CAMC is also a teaching hospital (\$10 million a year), and its staff handles more complicated, expensive cases than other area hospitals do.

Then there's the cost of advertising. Charleston-area hospitals are engaged in an advertising war on TV, buses, billboards and radio - each trying to capture non-government customers.

Then there is the fact that, last summer, the state gave a Parkersburg hospital permission to start a heart surgery unit. Bluefield may not be far behind. Heart surgery is CAMC's bread and butter. CAMC quickly made deals with both facilities to supply doctors to their new heart units. But CAMC's bottom line will still shrink.

Bad news for the uninsured. Bad news for the Roy Davises who get itemized bills. Solve a problem in one place, create one in another.

Back to Roy Davis (or What about those DRILs?)

"Why didn't they explain any of this to me?" Davis wonders. In all his conversations with the CAMC billing people since June, nobody mentioned any of this, he said.

Instead, CAMC staff told him (1) that they didn't know what various items on his wife's bill were and they would get back to him, and (2) that the state of West Virginia sets the prices for the walker and other items on his bill.

"CAMC should be concerned that I've been stonewalled and patronized and given incorrect information," Davis said. "They should also realize that there are going to be a lot more people like me to contend with."

Hudson said CAMC has hired a firm to help them improve their customer relations in relation to billing. "It may be that we should provide fuller explanations," he said.

On Oct. 6, a month after promising to get back to Davis, a CAMC auditor wrote that, among other things, "The charges for the walker are based on the type of equipment the physical therapist knew was appropriate for the patient. The price for all these services, as I discussed with Mr. Davis, is controlled by an agency within the state of West Virginia."

"The state of West Virginia does not tell CAMC what to charge for a walker," Davis said. "They must think we're stupid."

No, the state does not set the price of any item, said Sonia Chambers, chair of the state Health Care Authority, charged with regulating hospital costs. "We do not get into setting individual prices for individual things. The fact that a hospital submits its charge master to us does not mean we approved it. We use it for informational purposes."

The HCA does not limit anyone's bill either, Chambers said. The HCA regulates the overall average of a hospital's bills. If you average all of CAMC's half-million inpatient bills for 2003, for instance, the final average has to fall within the range the HCA allows. An individual bill can land wildly outside that range, as long as the average comes out right.

In their Oct. 6 letter, CAMC staff also told Davis that the two \$816 DRILs on his bill were not really drills, but were drill bits. So he could not have them.

Drills are reusable equipment, so CAMC cannot charge for them, but drill bits get blood on them, so are considered hazardous waste. The letter said CAMC had determined that DRILs were drill bits "through the orthopedic surgery area using the code(s) supplied in the bill." According to the charge master, that code is "miscellaneous."

Davis wrote back and pointed out that the fact that there is already a BIT DRIL 2.5 listed on the bill for \$274.95.

In their letter and a later phone call, CAMC staff promised him a revised bill. "I'm still waiting," Davis said.

To contact staff writer Kate Long, use e-mail or call 348-1798.

How much to fix a broken leg? Depends on who pays

CAMC billed Aetna this much for Carolyn Davis' broken leg:

\$19,892

Medicaid would have paid this much:

\$7,250

PEIA would pay this much:

\$7,615

With a 37% CAMC discount, Carelink would have paid:

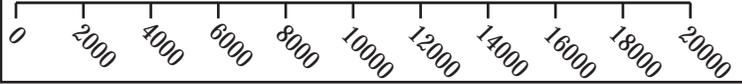
\$12,532

With a 9% CAMC discount, Blue Cross would have paid:

\$17,902

If Carolyn Davis had been uninsured, she would have owed:

\$19,892



Source: West Virginia Health Care Authority, West Virginia Public Employees Insurance Agency

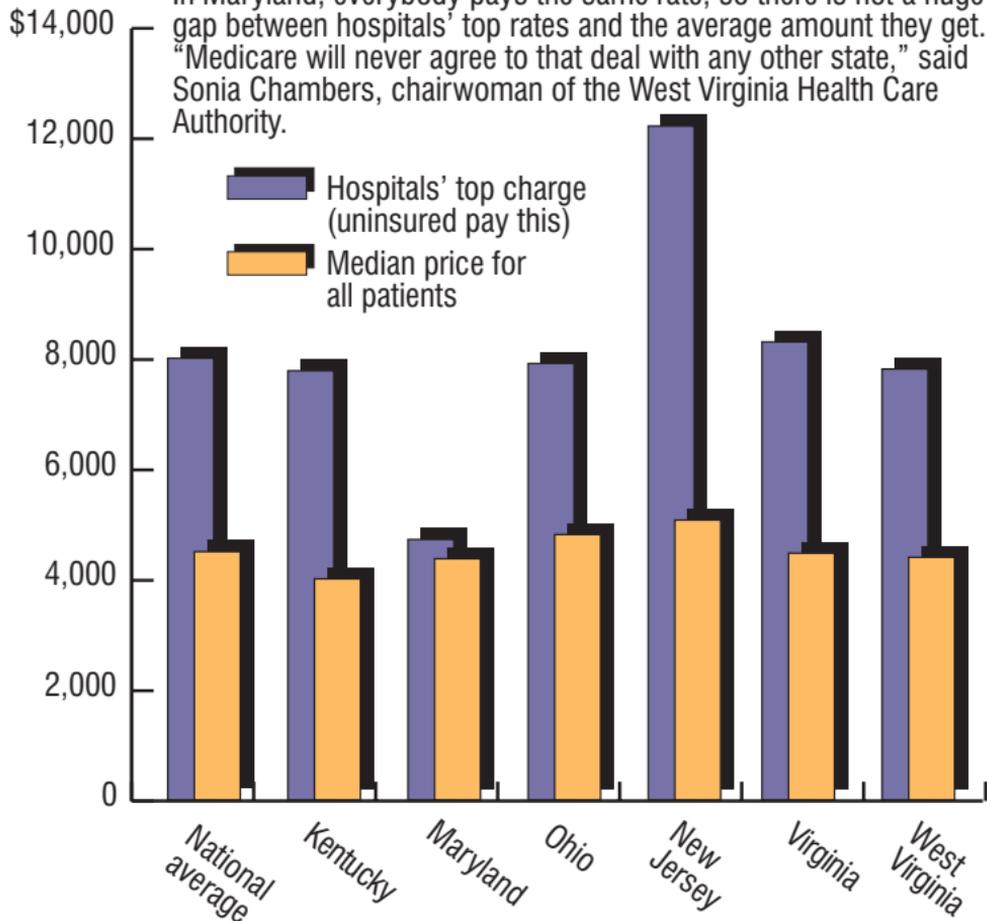
ANDRIA L. RUMBERG/
Sunday Gazette-Mail

It could be worse. You could live in New Jersey.

Big differences from state to state

West Virginia's average "full sticker" charges are 45th highest in the nation. New Jersey tops the chart. A New Jersey hospital room often costs more than \$1,000.

In Maryland, everybody pays the same rate, so there is not a huge gap between hospitals' top rates and the average amount they get. "Medicare will never agree to that deal with any other state," said Sonia Chambers, chairwoman of the West Virginia Health Care Authority.



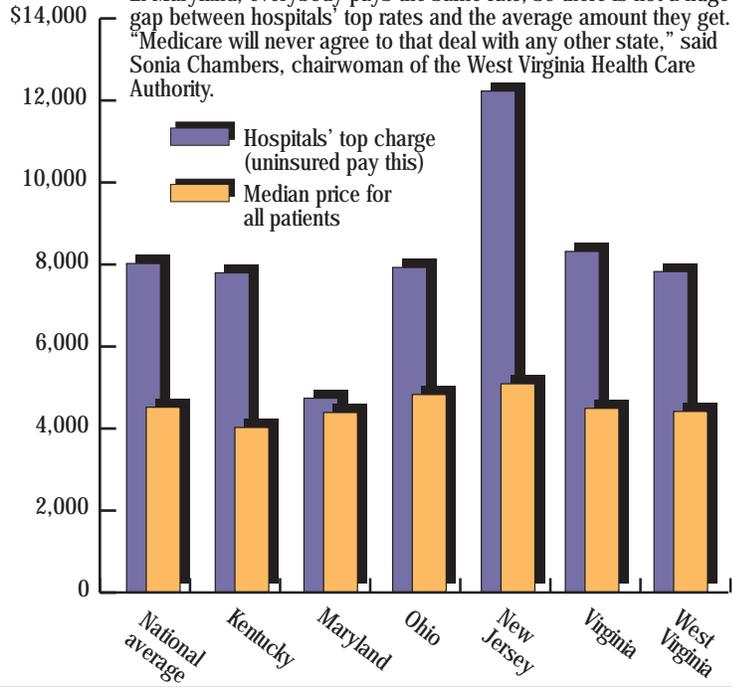
Source: The 2003 Almanac of Hospital Financial & Operating Indicators (adjusted for wage index and case mix)

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ANDRIA L. RUMBERG/Sunday Gazette-Mail

Private insurance? Check your discounts

Big difference from hospital to hospital

If your insurance company negotiates a 5 percent discount with a hospital, the hospital cuts your entire bill by 5 percent. A person covered by Blue Cross gets a different discount at each hospital. Hospitals and insurance companies do not advertise these discounts or even tell their customers. But every hospital in the state must report its discounts to the state Health Care Authority. Discounts are negotiated yearly.

Insurance carrier	CAMC	St. Francis	Thomas
Aetna:	none	25%	25%
Blue Cross PPO	9%	52.91%	20%
Carelink:	39%	30%	15%
Cigna:	none	48.72%	4%
* Med-Select	none	20%	4%

* Med-Select is one of several companies that sell access to hospital discounts to companies that have no negotiated discount of their own.

Source: West Virginia Health Care Authority, FY 2004.
From reports submitted by the hospitals.

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