

With Medical Bills Skyrocketing, More Hospitals Are Suing for Payment

By Sarah Kliff

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WISE, Va. — When a judge hears civil cases at the courthouse in this southwest Virginia town two days a month, many of the lawsuits have a common plaintiff: the local hospital, Ballard Health, suing patients over unpaid medical bills.

On a Thursday in August, 102 of the 160 cases on the docket were brought by Ballard. Among the defendants were a schoolteacher, a correctional officer, a stay-at-home mother and even a Ballard employee — all of whom had private insurance but were still responsible for a large share of their bill, the result of large deductibles and co-payments.

Ballad, which operates the only hospital in Wise County and 20 others in Virginia and Tennessee, filed more than 6,700 medical debt lawsuits against patients last year. Ballard's hospitals have brought at least 44,000 lawsuits since 2009, typically increasing the volume each year.

In nearly all such cases, the hospitals prevail. Only about a dozen patients showed up for the August court date in Wise, hoping to work out a payment plan or contest the claims.

“There is this new group of people who, on paper, look like they should be able to afford their bills,” said Craig Antico, founder of the nonprofit RIP Medical Debt, which buys and forgives outstanding bills. “They're middle-class, they have relatively good credit ratings, they're not transient. But they have these big deductibles, and they can't afford their bills.”

From Delaware to Oregon, hospitals across the country are increasingly suing patients for unpaid bills, a step many institutions were long unwilling to take.

In some places, major hospitals now file hundreds or even thousands of lawsuits annually. Those cases strain court systems and often end in wage garnishments for patients.

In Milwaukee, for example, a nonprofit children's hospital has sued 1,101 patients since the beginning of 2018 — more cases than it brought in the entire previous decade. The city's only top-level trauma center filed 2,074 suits last year, more than double the prior year's number.

And some of the country's most prominent academic hospitals, including Johns Hopkins in Baltimore and NewYork-Presbyterian, also have sued more patients in recent years.

The hospitals say that they are turning to the courts more frequently as deductibles rise and patients owe more, but that this practice affects a small fraction of their patients. They defend the suits as necessary to recouping outstanding bills and keeping health systems afloat. “We're only pursuing patients who have the means to pay but choose not to pay,” said Anthony Keck, vice president for system innovation at Ballard Health.

But patient and consumer advocates say health care providers are making faulty assumptions about insured patients' ability to pay. They also argue that the lawsuits and wage garnishments hit middle- and low-income populations, who struggle to keep up with the lost income. A cashier at a Providence Health hospital in Oregon reported having wages garnished for outstanding medical debt to a doctor's office. For one paycheck for 61 hours of work, she took home 54 cents after a garnishment and other deductions.

Wage seizures have led patients to sign up for public assistance programs, fall behind on bills, give up their insurance and take on credit card debt, according to interviews.

“I know I owe it, which is fine, and of course I want to pay it,” said Amanda Sturgill, 41, whom Ballard took to court. “It just seems like they want their money no matter what my situation is.”

Ms. Sturgill earns \$12.70 an hour and gets health benefits working full time as an order processor for an audio equipment manufacturer. She is going through a divorce and supports four children.

Ballad sued her in June over \$2,498 in outstanding debt for her teenage daughter's back surgery. Ms. Sturgill set up a \$150-a-month payment plan, but often struggles to come up with the money.

“Sometimes, if I'm getting close to the payment date and don't have the money, I'll go to the flea market and sell some of my things,” she said. “We get by on a lot of cheap soup beans and sandwiches. It terrifies me because I don't know what they'll do if I fall behind.”

This type of medical debt collection has come under increased scrutiny from judges and state lawmakers. New York is considering legislation that would significantly reduce the statute of limitations on medical debt. Connecticut may reform its system to make it easier for patients, who rarely have legal representation, to navigate.

Some hospitals that have drawn media attention for suing large numbers of patients, including one nonprofit health system in Memphis and another owned by the University of Virginia, have sharply reduced their use of medical debt litigation.

Others are ramping up the practice, often to patients' surprise. "I am used to hospitals sending collection notices," Ms. Sturgill said. "But I am not used to a sheriff coming to my door to deliver a court summons."

A 'Whole New Bucket' of Debt

Over a decade ago, hospital executives could safely assume that patients with health insurance probably could pay their medical bills. In 2006, only about half of employer-sponsored health plans involved a deductible that workers had to pay out of pocket before their coverage would kick in, according to the nonprofit Kaiser Family Foundation.

Today, 82 percent of employers' health plans have a deductible, and the average amount has nearly tripled, to \$1,655 from \$584. Low-wage workers are more likely to be offered high-deductible insurance, which is less expensive for employers.

Soaring costs are also common for those who buy their own coverage. Plans sold through the Affordable Care Act marketplace can have high caps on out-of-pocket spending: as much as \$8,200 for an individual in 2020, and \$16,400 for a family.

"There are some people who bought their own insurance, and simply didn't understand the limits of what they were paying for," said Jessica Roulette, a lawyer with Legal Action of Wisconsin. "We see medical debt collection against people who have purchased marketplace plans that don't seem to cover a whole lot."

Nonprofit hospitals are obligated to provide charity care and other financial assistance, but aren't required to screen patients to determine their need. An insured person may have a low enough income to qualify, but a hospital is unlikely to check, industry experts say.

"There's been an assumption that if you have insurance, you have the ability to pay," said James McHugh, a managing director at the health consulting firm Navigant. "But that's not necessarily true anymore. There is this whole new bucket of patient debt, and hospitals aren't sure how to deal with it."

That means more lawsuits from places like Children's Wisconsin, a nonprofit once known as Children's Free Hospital. It filed 23 medical debt lawsuits in 2014, and 108 in 2015. Last year, it brought 671.

Children's sued last year for amounts ranging from \$46 (\$270, with court fees) to \$20,606. This year it has garnished the wages of workers at McDonald's and Walmart, and of its own employees. Among them is Holly Edwards, a McDonald's manager and single mother in Milwaukee who fell behind on payments for her 4-year-old's \$2,242 emergency room visit.

"It's not that we're choosing not to pay, but there are other bills," said Ms. Edwards, 43. "My daughter has to eat, and if it's choosing between that or paying a doctor bill, I'm going to choose her."

Ms. Edwards was making \$300 monthly payments to the hospital. But after some unanticipated expenses — a \$450 exterminator bill for bed bugs was a big setback — she began sending smaller amounts, she said, acknowledging that she had not first cleared the lower payments with Children's.

The hospital took her to court last fall and recently began garnishing a quarter of her wages: \$420 from her biweekly paycheck. Ms. Edwards worked 14-hour shifts to make up for the lost income, but still fell behind on her mortgage.

"It makes you think twice about going to the doctor," she said. "I haven't been feeling well for a couple of months, there's something wrong with my stomach, and everyone is like, 'Go in, go in.' But I just can't. There will be more doctor bills."

The children's hospital cited two factors driving up its litigation: higher deductibles and a growing patient population. It says the lawsuits are a last resort, after other attempts to collect on patients' debt.

The goal is "to seek a solution that avoids legal action," the hospital said in a statement. "However, if the account remains unpaid and the family's employment is verified, the account may be placed with an attorney."

In New York, medical debt lawsuits are rare but on the rise, as at NewYork-Presbyterian, the city's top-ranked hospital chain. Its medical debt lawsuits doubled to 515 between 2015 and 2016. In 2017, the hospital sued 779 patients over unpaid bills.

A NewYork-Presbyterian spokeswoman, Kate Spaziani, said the hospital's "practices and policies have remained constant: We actively work with eligible patients to help them access our Charity Care and patient advocacy programs."

In many instances, court fees and interest add to patients' debt. In Tennessee, for example, where medical debt can accrue 10 percent in annual interest, bills can balloon if hospitals wait to collect.

David Crumley, 41, was uninsured and did not qualify for Medicaid when Ballard sued him for the \$5,418 he owed. But in the seven years between a court ruling in Ballard's favor and the start of his wage garnishment, that debt accumulated \$3,336 in interest. The garnishment took \$277 from his \$1,247 biweekly paychecks for work as a forklift operator.

"As a parent, when you have to choose whether to pay the rent or keep the lights on because your paycheck is being garnished, that's a hard thing to do," said Mr. Crumley, who recently left that job and is now covered by Medicaid. "You sit there, and you're so stressed out that you start crying, and your own daughter offers her change jar to you. What kind of person does that make me?"

Changing the System

Public officials have become increasingly concerned about the proliferation of medical debt lawsuits, which have drawn media attention to the practice at a nonprofit hospital chain in Memphis, a for-profit hospital in New Mexico and the University of Virginia health system.

A University of Connecticut report in June found that hospitals and doctors in the state had sued 80,000 patients for medical debt between 2011 and 2016. Consumer advocates and a state judge are now pursuing reforms, such as simplifying the process to request itemized bills, that would make the court more accommodating to patients, who typically represent themselves.

New York lawmakers introduced legislation last month that would cap the interest hospitals can recoup on medical debt at 3 percent, instead of 9, and would shorten the statute of limitations to two years from six. The proposed changes could result in fewer and smaller judgments against patients.

The American Hospital Association, an industry trade group, has taken no official position on medical debt lawsuits. But in a statement, the group's executive vice president, Tom Nickels, said, "As a field, we will always continue to look for new and better ways to work with patients who need help paying their bills."

Some hospitals are creating financial-support policies aimed at patients with high deductibles. This year, St. Luke's University Health Network in Pennsylvania introduced an assistance program for insured patients who can't afford their medical bills.

"Two years ago we were not doing this, and now we're getting 50 applications a week," said Richard Madison, the network's vice president for revenue cycle. "We don't want people to go into bankruptcy because of us."

St. Luke's decision not to pursue medical debt in court reflects both its nonprofit mission and a desire to stay out of the headlines.

"It would be bad press, and we don't want to be the organization that does that to people," Mr. Madison said.

At the same time, he worries that St. Luke's may become overwhelmed by requests for help.

"The program might have to be discontinued if too many people were using it," he said. "We want the people who are truly burdened by our hospital bill and can't afford to pay it."

Ballad Health does not plan to change its litigation strategy. But Mr. Keck, the vice president, said the network was increasing its income limit for charity care, which could reduce lawsuits.

"We're a health care system that has to pay bills," Mr. Keck said. "We have to pay nurses and doctors and so on. We're doing everything possible to keep things out of court, because it's expensive for everybody."

Ms. Sturgill, who is paying off her daughter's back surgery, hopes to continue her payment plan and avoid wage garnishment. Her children continue to get treatment at Ballad.

"I've got co-pays for specialists that are \$60," she said. "Any little extra we have, it goes towards doctors. And sometimes you just don't have any extra. I was trying to pay things here and there, when I had it. But then sometimes, I just didn't have it."