In N.C., hospitals' rack rate hits the uninsured hard

By Ames Alexander, Karen Garloch and Joseph Neff - aalexander@charlotteobserver.com

Virtually every North Carolina hospital charges far more for procedures than it costs to perform them.

On average, the charges are about triple the costs, according to data that hospitals submit to the federal government.

Hospital officials say that for most patients, charges are meaningless. That's because hospitals provide large discounts to private health insurers, while Medicare and Medicaid pay based on rates set by the government.

In that sense, hospital charges resemble the hotel rack rates that almost no one pays.

But here's the rub: Some patients and insurers do get stuck paying the full charge or something close to it. Among them are uninsured patients who earn too much to qualify for charity care.

"It's the conscientious working people who get screwed," says Tom Getzen, a professor at Temple University in Philadelphia who heads the International Health Economics Association.

If uninsured patients pay their bills, hospitals can profit handsomely. Here's why:

Many hospitals offer limited discounts to uninsured patients who don't qualify for full charity care. At Catawba Valley Medical Center in Hickory, for instance, an uninsured patient earning $25,000 a year would qualify for a 25 percent discount off the full charges if he or she paid right away.

That would bring a $20,000 hospital bill down to $15,000. But on a typical hospital stay, even that would amount to more than twice what the hospital spent to provide care. That's because the hospital's charges are, on average, more than three times its costs, according to federal data.

At Duke, uninsured patients get a 50 percent discount from established charges. WakeMed and UNC Health Care offer a discount of 35 percent. Both rates would still allow profits if the patients paid in full.

Officials for area hospitals say such patients aren't a profit center because many never pay their bills.

Paying full freight

At many hospitals, charges are increasing rapidly. That means bills for the uninsured – and for some other patients – are also rising fast.

At Carolinas Medical Center, for instance, average charges were about twice as high as costs in 2000, according to reports that the hospital files with the federal agency that oversees Medicare. Ten years later, charges were more than triple the costs.

Among those hurt worst by the growing charges:

- Motorists. Their insurers often pay full hospital charges, so rising charges contribute to rising premiums.

- Employers. Under state law, workers' comp insurers can't get a discount of more than 25 percent from North Carolina hospitals. That leaves employers paying more for coverage.

- Taxpayers. Until recently, North Carolina paid 100 percent of billed charges for state prison inmates who received hospital care. Under a recent legislative reform, the hospitals can receive either 70 percent of charges or twice the amount paid by Medicaid – amounts that still allow them to profit handsomely at the expense of taxpayers.

Presbyterian Hospital charged the state $204 each time it performed an EKG test on three prison inmates, according to bills. The average cost of an EKG to the hospital is less than one eighth that amount – $23, according to the American Hospital Directory.

Higher hospital charges can also translate into higher health insurance premiums. The reason: Most insurance contracts with hospitals include provisions for paying a percentage of billed charges. That's why "it matters what they charge," said Jarvis Leigh, Aetna's top hospital contract negotiator in the Carolinas.

All of this, experts say, gives hospitals a strong inducement to boost their charges.

"Every incentive is for the hospitals to charge as much as possible for these procedures," says Jason Beans, who heads a Chicago-based company that examines medical bills for payers. "Hence the prices are as arbitrary as can be. It's driving up our costs drastically."

Patients with insurance have a "bodyguard" who negotiates on their behalf, Beans said.

"The people who do not – their lives can be absolutely ruined by it," he said.

COMMENTS

Don Ketter

And just how do you think the hospitals can absorb all those who pay nothing, nada, zip? This is just like every other welfare program where the honest taxpayer has to pay his/her bill plus foot the cost of everyone else. There are many who game the system and take advantage of everyone else. I don't know what percentage don't pay but I have no doubt it is a high number. You say the "poor" folk who don't have insurance get taken advantage of. The solution there is extremely simple, they get and pay for health insurance. Instead of paying $500 a month for their Cadillac Escalade or $100 per month for IPhone, IPad, bluetooth, etc etc, let them pay for insurance like the rest of us. I have had medical insurance all my life, even when it was not partly paid by employer. I have this crazy idea that I am responsible for myself and I should provide for my family.

SusanBAnthony

Stereotypes don't tell the true story. People who have scrimped and saved and done without all extras during their working lives in order to save a little to help get by in retirement don't qualify for discounts because of the little nest egg, even if their incomes

are at the poverty level when they retire. They have to pay the actual triple rate. Why? Because they lived frugally. Utility bills, food costs, and transportation costs have increased dramatically in the past 10 years. It's hard to understand, I know, unless you've been there, but many people do NOT purchase luxuries and still cannot afford health insurance.

whoodathunk

Yeah, it will be bizarre if the US Supreme Court rules that a requirement for an individual to buy health insurance is unconstitutional. Consider that the US Supreme Court has ruled that it's OK for the federal government to require an individual to report for military draft duty and go fight in an undeclared war on the other side of the world.

Jesse Surratt

I read a few comments and I am confused, why did no one complain about the hospital charging triple the cost for a procedure. My thinking is if the hospitals charged the real rate for a procedure then more people could pay their hospital bills, "

' Instead of paying $500 a month for their Cadillac Escalade or $100 per month for IPhone, IPad, bluetooth, etc etc, let them pay for insurance like the rest of us' ", as Don Ketter so eloquently stated.

Coneflower Chianti

This is clearly a situation where "the market" only works for those who 'own the market", and an overwhelming reason this country needs to adopt a govt sponsored single-payer insurance system with reasonably low premiums for the entire nation. Then everyone will have that "bodyguard" on their side. This would prevent the poor & lower middle class who just cannot afford the obscenely jacked up costs of private insurance from continuing to be screwed so badly by big pharma and the for-profit medical industry.

Millertime1

There are several reasons why hospital rates are high. The 3 most important ones are lack of consumer driven healthcare, using ER's as a primary care doc and the biggest one is Medicare and Medicaid. Good ol' government intrusion. When most hospitals percentage of medicare/caid population is over 50% and you are getting less and less reimbursement from the government for services every single year, you have to do something to stay in business. Caid and Care rarely cover the costs, much less any profit. We are also heading more down that road with Obamacare. Consumers need more control and choice, they need to do more research prior to procedures if that is possible. As long as government is involved and reimbursement rates drop year after year and regulation and auditing go up, this problem only gets worse.

madamp

This puts into perspective exactly why the federal government is hell bent on taking over healthcare. THEY want to reap these kind of profits. Don't think for a moment that costs will come down. Have costs for automobiles or student loans come down since they got involved in those very profitable industries???

MaNort Collapse

So glad to see the articles in N&O today and attention being brought to the irregularities in charging for health care. Medical charges should be the same across the board. In other circumstances the Attorney General would be charging someone with price gouging! I haven't always had health insurance, and the insurance I have now is "above my means" because my employer does not make choices available. I have to buy the same plan as higher paid employees. If I should be unable to work, I would lose it and be in the same situation as Mary Jo Warren.

farmerjohn

Absolutely agree, Coneflower. How in the world is it legal for a hospital to charge different rates for the same services? This collusion between corporations and the politicians who enable the larceny should result in severe prison sentences. I'll include any politician who fostered the corrupt government/corporate racketeering scheme of Obamacare on the people.