

SMARTMONEY MAGAZINE

Under the Knife: Cutting Medical Bills

By [Angie C. Marek](#) | [Angie C. Marek Archive](#) | Published: March 28, 2008

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FATIMA MEHDIKARIMI figured she wouldn't have any problems giving the gift of life. All she had to do was figure out how to keep the maternity bills down.

The 30-year-old shopping blogger from Atlanta was looking at paying almost \$8,800 out of pocket because her health insurance didn't cover maternity costs. Daunted by hospital fees, she called around and discovered that the facility where she delivered her first child charged roughly twice as much as a recently built Emory University hospital across town. After finding a new gynecologist, who charged \$3,200 for all the prenatal visits and delivery, Mehdikarimi persuaded the doctor's finance manager to give her 25% off by arguing she'd be a "low-maintenance second-timer" willing to pay the entire tab months before the birth. Her final step: contacting LabCorp, the giant diagnostic laboratory company, where she finagled a 20% discount on all lab work.

Welcome to the brave new world of health care haggling, where patients have become bolder about their medical bills, and doctors more open to negotiation. And with most large

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hospitals accepting multiple reimbursement rates for procedures (up to 150 alone for common ones like bypass surgery), there's clearly room to dicker. Experts say that haggling, though not yet routine, is on the rise, and consumers may soon find their doctors following the pricing path of hotels and airlines, with some patients paying "rack" rates while the well insured — and informed bargainers — pay less. Among the many "dirty little secrets" in our health care system, says Mark Rukavina, director of The Access Project, a Boston-based health care nonprofit, is the fact that providers' fees are "absolutely negotiable."

What's driving all this, of course, is both the sharp increase in medical fees and the dramatic pullback American employers have made in covering those costs. Health care spending in the United States now averages \$7,000 per person annually, nearly double what it was a decade ago — with a growing percentage being dumped in consumers' laps. Annual premiums for family coverage spiked 78% between 2001 and 2007, and according to a recent study by Mercer, workers at larger companies saw their deductibles — out-of-pocket expense before coverage kicks in — rise 11% in 2007. At John Deere, for example, family deductibles can run as high as \$4,300 a year, while they're almost \$8,000 for some employees at Owens-Corning. But such cash outlays often represent just the tip of the iceberg. Who hasn't been hit with rising copayments or reimbursement caps on out-of-network services that seem to have been set during the Eisenhower era?

No wonder patients want to haggle. Remarkably, so do their physicians. According to a 2005 HarrisInteractive poll, two-thirds of patients who negotiated with their doctors reported successfully lowering their bill. Those who bargained with a hospital did even better, cutting costs 70% of the time, up from 45% three years earlier. While no one can say for sure how often such back-and-forths are playing out in billing offices around the country, it's clear that health care providers are more open than ever to giving patients a break. For some it's a natural outgrowth of doctors' desire to help people; for others it's a business-retention strategy. And at times it's simply a matter of cutting their losses: According to Lehman Brothers, seven major U.S. hospital chains will swallow a total of \$14.6 billion in bad debt this year, up from \$12.4 billion in 2007.

But don't expect bargaining to be a breeze. For one thing, doctors don't always have a lot of wiggle room. In some states they can run afoul of the law by charging less than what they've negotiated with the insurer — or simply by trying to waive a patient's copay. You may find them more responsive by, say, offering to pay in cash up front or seeking treatment during off-peak times. We tried those strategies and others as we visited or called more than 20 doctors, asking for help on our bills. We used techniques suggested by experts and spoke to patients who bargained with success. And we discovered that often, all we had to do was ask.

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Ask for It Early

Don't wait until bills roll in, experts say. In fact patients should consider bargaining even before setting foot in the doctor's office. "The biggest mistake is not speaking up early," says Larry Gelb, president and CEO of CareCounsel, a firm that helps patients navigate the health care system. Hagglng after the fact can result not only in a bill being sent to collections but also the doctor being charged with fraud, if he's caught offering a discount after already submitting a larger bill to an insurer.

We were surprised by how willing offices were to quietly offer discounts, almost immediately after we raised price concerns. Gregg Rock, a Manhattan podiatric surgeon, explained his willingness to hammer out a deal for a surgical removal of a bunion this way: "I'd rather my patients save their money for cabs instead of trekking up and down the stairs of the subway when they're not fully healed." As we were preparing to get a second opinion with orthopedic surgeon David Levine, one of his business staffers held firm on the \$350 initial consult fee but said they do sometimes knock a thousand dollars off the surgery, explaining that the doctor wouldn't bill for every code associated with a procedure. When contacted, a spokesperson for Dr. Levine informed us that "proper protocol" wasn't followed when we discussed the discount. She later said that no one in the office remembered offering it.

Discounts are more common in medical specialties that are poorly covered by insurance. In plastic-surgery meccas like Los Angeles, the nip-and-tuck brigade sometimes match each other's quotes or offer consumers "two-fer" deals on multiple procedures. Therapists, too, frequently use a sliding scale. When we approached 10 mental-health professionals, seeking weekly therapy or an initial psychiatric evaluation, all but two said they'd give us a break. Typical was Ethell Geller, a New York therapist, who pared \$25 off her \$275 weekly fee.

Pay in Cash Up Front

Doctors told us that cold cash, paid up front, provided the most powerful incentive to cut a deal. And for good reason: Nick Fabrizio of the Medical Group Management Association reports that offices he tracks spend between \$6 and \$12 — in paper, postage and man-hours — to generate a single bill. So patients who pay in advance or tackle insurance paperwork themselves actually earn a portion of their discount.

The discounts can vary widely. Dr. Bernard Katz, who leads the Santa Monica Bay Physicians group — a sprawling 60,000-patient multi-office practice — authorizes his doctors to give up to 15% off to uninsured patients who pay on the spot. In St. Louis, Angie Milhous, a life coach, bargained a whopping 70% off her outpatient hysterectomy last year. Her strategy? The former managed-care worker, who knew her way around the billing game, offered to pay one upfront rate, bundling together doctor's fees, anesthesia and lab work. All this at a facility so upscale, Milhous says, that she felt like she was "getting a face-lift in Beverly Hills."

When we tried the cash-in-hand tactic with Mal Braverman, a cosmetic dentist who shows new patients a video of himself doing a "mouth makeover" on "The Maury Show," we had marginal success. When pressed he offered us just 3% off 10 porcelain veneers (priced at \$2,000 each) if we paid with cash or a bank check. Not much, considering that amount approximates what he'd save in credit card processing fees.

Do Your Homework

It's not easy to bargain in a world where you have no idea what anything costs. But for years consumers looking for reliable medical-pricing information have found themselves in a black hole. Even today complex surgeries can be difficult to accurately estimate, and prices can vary widely from region to region or even hospital to hospital.

But the good news is, consumers now have access to reliable data. On nahdo.org, you can search for cost data by state; one Florida link (floridahealthfinder.gov), for example, lets you compare prices for drugs, hospitals and ambulatory-care facilities. HealthGrades (healthgrades.com) offers cost reports (\$7.95 each) for 56 individual medical procedures and 13 types of doctors visits, customizable by region and even individual hospitals. It not only shows the average "list" price quoted to an uninsured patient (back surgery in New England: \$69,688) but also the average price paid by 80 top insurers in the region (\$20,891). The upshot for patients? Lots of fodder for hagglng.

It doesn't hurt to dig into your insurance carrier's web site, either. Aetna, for one, reveals how much it pays individual doctors for more than 600 different medical procedures. And if you have a plan that pays only partially for care you seek outside your company's "preferred provider" network, find out what your insurer's reimbursement limit is and ask your doctor to match it.

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Michael Schaff, a New Jersey health care lawyer, says these types of negotiations are among the easiest for doctors to legally accept.

Butter Up the Billing Staff

If you think the guy in the white coat holds the key to a deal, think again. It's usually the folks in the back office you want to tango with — people like Joyce Welling, until recently a medical reimbursement specialist at the Parkway Neuroscience and Spine Institute, a Hagerstown, Md., center for neurosurgery, physical therapy and pain management. Welling says she routinely went back and forth with patients who found the practice's \$294 initial-visit fee a hardship, trying to get at least half that, or equivalent to what insurance would pay. And she regularly approached the surgeons about giving a break to patients diligently plowing through long-term monthly payment plans. A lot of times, after two years they'd "waive the patient's balance or at least slim it down," she says, calling the doctors "compassionate neurosurgeons." An office manager at the Institute declined to comment.

While any patient wrangling with a billing staff should be prepared to fork over financial documents, we didn't encounter much of that — but we had a young-looking twentysomething reporter making the rounds. One office, Manhattan Surgical Associates, even gave us a 66% price break over the telephone. After visiting high-end surgeon Stephen Gorfine about getting a simple skin tag removed, we fretted about cost in a call with his surgical coordinator, Pat Allen. In our next conversation, she said she'd cut the doctor's customary "surgery" fee from \$1,500 to just \$500. "I felt you and I connected," she explained, "and I knew it would help you out." Welling, for her part, says that much of the job is instinct: Sometimes by assessing how expensively a patient is dressed and how much jewelry she's wearing, she can develop "a gut sense about what they need."

Go at an Off-Peak Time

Off-season discounts aren't just the stuff of Acapulco resorts and cruise lines. Marie B. V. Olesen, a La Jolla, Calif., plastic-surgery consultant, says she's seen many offices offer 5% to 15% discounts during the low season, which hits plastic surgeons in August and September. Among them: The Mayo Clinic's Scottsdale, Ariz., outpost. "If they're doing it," she says, "anyone can!"

But it's not just a plastic-surgery phenomenon. William L. Golden, a soothing-sounding psychotherapist with a going rate of \$225 a session, offered us \$25 off if we'd come in the afternoon or on our lunch hour, since his appointments cluster in the mornings and early evenings. (Golden later told us that he no longer offers such deals.) For elective surgeries some offices will even give discounts to patients willing to come in on short notice after a cancellation.

After dropping in at Lowenberg & Lituchy, a cosmetic-dentistry office that spruces up the smiles of clients like supermodel Gisele Bundchen and comedian Chris Rock, and learning that we'd have to pay as much as the cost of a new Honda Civic — about \$17,600 — for a row of porcelain veneers, we emailed Dr. Gregg Lituchy to see if he'd match a price quote we'd gotten elsewhere. Less than 24 hours after he'd written us to say it would be "unethical" to alter their fees, his office offered to do the procedure for \$15,400, "for the holidays," if we could fill a cancellation the following business day. Brian Kantor, a partner in the office, told us later that cancellations were rare and insisted our arrangement wasn't a discount. "That was a Christmas present," he said, "of one free veneer!"

Hire a Health Advocate

In the past decade a new profession has emerged: health care advocacy. These professionals, who often boast managed-care backgrounds — and can spot a trumped-up billing code a mile away — will negotiate for you, often in exchange for a cut of the savings. But finding one can be tricky. They have no accreditation and, so far, no formal professional association, so it's a good idea to check references and see if they have any complaints with the Better Business Bureau. Medical Billing Advocates of America offers a contact list of professionals with specialized billing training on its [web site](#). And you can start by talking to an advocate for free at the Boston-based [Access Project](#).

When Chicago dietitian Sylvia Nowacki felt ripping pain in her stomach, she worried she had an ulcer and went to a gastroenterologist for tests. That seemed smart until the then-graduate student discovered her insurance wouldn't pick up any of the nearly \$3,000 tab. Overwhelmed, Nowacki contacted Mary Jane Stull, a South Bend, Ind.-based professional who bills herself and her company as The Patient's Advocate. Stull, a gravel-voiced former insurance-claims processor who Nowacki says has the forceful, organized style of "a really good lawyer," persuaded the doctor to knock the bill down to \$600, mostly by waiving the fees for his time. Later the office dropped it further, to just \$200, while Stull's services cost about \$300. "She was

incredibly knowledgeable about how to talk to this doctor," says Nowacki, "and get real results."