



Hospitals: Is the Price Right?

March 5, 2006

(CBS) Most Americans know that if you get sick enough to go to a hospital, it's going to be expensive. But you may be surprised to learn that hospitals all over the country charge their highest prices, by far, to those who can afford it least — the 46 million Americans who don't have health insurance.

Hospitals charge uninsured patients two, three, four or more times what an insurance company would pay for the same treatment. And, when the uninsured can't pay, they often find themselves the target of collection agencies or in bankruptcy court.

60 Minutes had no idea how much hospitals can charge people without insurance, until we met Carlos Ferlini and his daughter Peggy.

Correspondent Dan Rather reports.

"I would consider us, you know, right at the bottom of the middle class. We're not poor," says Peggy Ferlini.

"I pay my bills. I pay all the regular guys, but I'm not a rich man," adds her father, Carlos.

Carlos Ferlini made a decent living installing and repairing gutters, but not enough to afford health insurance. Then, last February, Carlos fell off a roof while on a job in suburban Los Angeles.

He was rushed to Providence St. Joseph's Medical Center, a Catholic-run, non-profit hospital in Burbank, Calif. Carlos' wife and daughters knew it would be expensive, but they weren't thinking about costs at that time.

"We thought he was gonna die. I mean, at that moment, you're terrified. You're just — you don't even care about anything. You don't care about the money," Peggy explains.

Ferlini was seriously injured; he fractured his skull and ribs and punctured one lung. He spent 18 days in St. Joseph's, 14 of them in intensive care. He had no surgery and was sent home. Then he got the bill.

"We knew we were gonna owe a large amount, and we know we have to pay it," recalls Peggy.

Carlos remembers first seeing the \$246,000 bill. "I showed my daughter, 'This is the bill?' And she say to me, 'Oh, my God.'"

The Ferlinis didn't know what to do until Carlos heard KB Forbes on a local Spanish-language radio station, saying that many hospitals don't give uninsured patients a fair break.

They contacted Forbes, a community activist who has been waging a nationwide crusade on behalf of the uninsured. He says what happened to the Ferlinis is all too common.

"Basically, hospitals charge uninsured people four or five times more than what they would accept as payment in full from an insurance company. Simply put, it's price-gouging," says Forbes.

Forbes and his staff analyzed Carlos Ferlini's bill from St. Joseph's, using figures that American hospitals are required to submit to the federal government each year. Those figures are a matter of public record.

The bottom line: Forbes found that, while St. Joseph's was billing Ferlini almost a quarter of a million dollars, it would accept just under \$50,000 as full payment from an insurance company for the same treatment.

The hospital charged Ferlini more than \$5,800 a day for intensive care, nearly 2½ times more than what an insurance company would pay.

A spokesman for St. Joseph's told **60 Minutes** that Ferlini's bill reflected the hospital's retail price list, and that they were looking into his case.

"We're willing to pay what the insurance company is willing to pay. So why should they charge us three or four times more than it actually costs?" Peggy wonders.

That's the question Forbes has been asking for five years. Forbes, whose mother is Chilean, heads an activist group called the Council for United Latinos. It's a tiny operation run on a shoestring out of a small office in East Los Angeles.

Forbes is a staunch conservative who once was Pat Buchanan's press secretary. The group he runs now may be small, but it's had a big impact: He has taken on — and embarrassed — major hospital chains all over the country for using tough tactics on the uninsured.

"When you walk in and you get an appendectomy that should be \$5,000, let's say top dollar, and you're being charged \$20,000, that's wrong. You've been hosed, simply put," says Forbes.

Forbes says one out of every six Americans is vulnerable.

Forbes says those affected the most are middle-class Americans — people who are not poor enough to qualify for Medicaid or charity care. "They're working-class folks that own a home, have a small business, may have a college savings account saved up for their children," he says.

It's people like Lisa and Scott Starbuck. The Knoxville, Tenn., couple was making about \$50,000 a year, before taxes, in the computer-consulting business they run out of their home. A decade ago, they were downsized out of corporate jobs that provided health insurance. Lisa got insurance on her own, but Scott couldn't afford insurance after he was diagnosed with diabetes.

"Is it fair to say you were hoping against hope that the diabetes would get under control and there wouldn't be any other illness?" Rather asked.

"We were just kind of gambling, I think, that that was gonna happen. But we didn't have any choice," says Lisa Starbuck.

The couple lost their bet last year when Scott suffered chest pains and wound up in the emergency room at the University of Tennessee Medical Center — a non-profit teaching hospital.

Doctors diagnosed a mild heart attack. They inserted two stents to open up a blocked artery to his heart. It was a textbook case; there were no complications, and Scott was released after 72 hours.

A few weeks later, he got an itemized bill for more than \$41,000.

"The biggest thing on there was the stents. The two stents were \$19,000. And I'm not a medical professional, so I don't know a lot, but I just didn't see how that could be \$19,000," says Lisa. "So I got on the Internet and looked up the list price, and it was \$2,300."

60 Minutes checked with the manufacturer, who confirmed that they sell the stent for \$2,300 apiece. Since the doctor used two stents on Scott, the total manufacturer's price was \$4,600 about a quarter of the \$19,000 the hospital charged him.

"I thought maybe there really is a mistake and so I called the hospital back and they said that the prices were not negotiable," recalls Lisa.

The Starbucks said the hospital did offer them a 25 percent discount, if they paid it off in two years or less. They couldn't afford that, so they were stuck with the original \$41,000 bill. Soon, a collection agency started sending them demanding letters.

The Starbuck family was considering bankruptcy, which isn't unusual. A Harvard study found that medical problems contribute to about half of all personal bankruptcies in this country.

Then the Starbucks learned that the charge from UT Medical Center for someone with insurance would be \$13,800 – about one-third of what Scott was billed.

"I feel like we've been taken advantage of. And I'm upset because, you know, it's a life-changing thing. It's definitely rocked our world. Sorry," says Lisa.

The University of Tennessee Medical Center told **60 Minutes** that "patients who receive the same services are charged the same amounts."

That's true, but there's a catch: Federal law does require hospitals to charge every patient the same, whether they have insurance or not. But hospitals can accept different payments from different patients — and they do.

Hospitals give discounts to insurance companies for the patients they cover. And they are big discounts, as much as 75 percent off the list price. Government programs like Medicare and Medicaid pay hospitals even less. Only the uninsured are charged the hospital's full price.

60 Minutes asked Gerard Anderson, a professor of public health at Johns Hopkins University, just how typical these high charges are.

"I think virtually all hospitals do this," Professor Anderson explains. "They charge two and four times as much. Some of them charge 10 times as much."

Asked why that is happening, Anderson says, "It's a long historical evolution, but essentially, they can get away with it."

Anderson knows how the health care financing system works — because 25 years ago, he helped write the Medicare rules that, to this day, form the basis for what the government and insurance companies will pay hospitals. He has testified as an expert witness in some lawsuits over hospital charges.

Anderson notes that hospitals keep their price list — known as a "charge master" — largely secret, so there's no way to compare one hospital's prices to another.

"That information isn't available to you. In the hospital sector, you can't do any comparative shopping. And because you can't do comparative shopping, the hospital has no reason to control prices," Anderson explains.

But the hospital industry is now feeling the pressure that KB Forbes and other advocates for the uninsured have focused on hospital billing practices.

"Are there some examples out there that somebody can find of a hospital who's not doing everything they possibly can? I'm sure you have. But those hospitals need to do it better," says Carmela Coyle, the senior vice president for policy for the American Hospital Association. She acknowledges the problem, but insists hospitals can't solve it alone.

"We've got to find a way to provide health insurance coverage for everybody in this country," Coyle says.

"The problem we're talking about here is the difference between what most hospitals charge for people who are uninsured, and what they charge for the insurance companies. And let's cut to the chase: Do you agree or disagree that that is the situation?" Rather asked.

"Actually, what hospitals charge for a service is the same for everybody, whether they have insurance or not. What's confusing for everybody is that what a person ends up paying in this country can be very different," says Coyle.

Why shouldn't everybody charged at or near the same rates?

"Everybody's charged the same amount. But the Medicare program dictates to hospitals what it's gonna pay. Big insurance companies? The same thing. They profit if they pay less," says Coyle.

While she says hospitals didn't create the problem, Coyle says in the last year, hospitals have begun to adopt policies which give some discounts to some of the uninsured.

"There are 5,000 hospitals in this country that care for over 100 million patients every year, and they're doing the right thing," she says.

60 Minutes got a different perspective from Sen. Charles Grassley, R-Iowa. The Senate Finance Committee, which he heads, is investigating hospital charges and collection practices.

Asked how widespread the problem is with the uninsured, Sen. Grassley says, "From media reports, from advocate groups, from individuals and from my own investigation, I think it's very, very widespread. It's an institutional bias against uninsured people. And it's something to be outraged about."

But Coyle disagrees. "The senator is very knowledgeable in health care issues. But what's going on in hospitals is nothing of the sort," she says.

Asked if she's saying the senator is wrong, Coyle says, "I'm saying that the face of what's going on in health care has changed dramatically, literally in the last year."

"What I'm told by the hospital association is 'Please understand, we're making changes. We have quote — new policies — that are dealing with this.' Am I to believe that?" Rather asked Grassley.

"I've been told that they were going to do that. They've told me that. I haven't seen the changes I ought to see. But if I don't see it very, very soon, we'll probably be doing some legislating in that area," the senator replied.

Sen. Grassley is considering legislation that would require hospitals to do better by the uninsured. But while government and the health care industry wrestle with the problem, people like Scott and Lisa Starbuck just want to find a way out of their own personal crisis.

"I feel like I do owe money. And I do want to pay it. And I'm not looking for charity, not trying to get indigent care or anything like that. I just want to work out a reasonable payment," says Scott.

"And pay a reasonable price. That's the main thing," Lisa added.

After Rather interviewed the Starbucks and the Ferlinis, **60 Minutes** called the hospitals where they were treated and they re-examined both cases.

UT Medical Center has now reduced Scott Starbuck's \$41,000 bill by 25 percent. St. Joseph's Hospital, which billed Carlos Ferlini \$246,000, now says Ferlini qualifies for the hospital's Charity Care Program, which would pay for his hospitalization.

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