Credit & Collection News

# >> Late Patients Automatically Given No-Interest Credit Cards

A private equity company is partnering with hospitals to automatically enroll late-paying patients in a no-interest credit card program.

Portland, Ore.-based investors Aequitas Capital Management, Inc. partners with hospitals to finance patients who cannot afford to pay their bills – charging the hospital a fee for service and enrolling the patient in long-term payment plans.

The patient can also use the credit card for future services at the hospital.

Mercy Hospital, a two-hospital system in northern Michigan, signed on with the CarePayment program in October, 2006.

"We had a very limited payment plan that only allowed us to divide balances by 12 months," says Lori Weedon, director of patient financial services at the hospital. "We needed something that was a better option."

The way it works is that Mercy sends out an initial statement, and if it's unpaid, sends the account to a pre-collection agency. If the account is still not paid after 90 days, it is sent to CarePayment, which automatically gives the delinquent patient a credit card.

Weedon says there are "thousands" of patients currently enrolled in Mercy's CarePayment plan -- the hospital sends out 20,000 bills a month, and anyone with a balance gets sent to CarePayment -- and that so far, she has received no complaints. She estimates the average balance to be around $500.

The program means that the hospital's third-party collection agency now will only collect from those patients who do not pay CarePayment after 90 days. "It's a local collection agency and we work very closely with them," she says. "They knew it was best for the patients and that it would reduce [the accounts], but we have to do it."

Weedon wouldn't say how much the hospital pays CarePayment, but says, "It's a lot less than the 25% to 35% we'd pay the collection agency."

The program means that the hospital no longer has to send out statements every month or offer internal payment plans. The hospital has eliminated a full-time employee position, says Weeden. "It has saved us on a lot," she says.

If the patient is above a certain credit score, then Aquinas pays the hospitals the full amount for the account almost immediately, she says. "We invest that in finance and make a lot of money, and that's a big plus for us," she says.

If the patient does not make credit card payments, and if the third-party collection agency cannot collect on the account after two years, Mercy sells the old accounts to a medical debt buyer.

Mercy has been selling its accounts for about a year, says Weedon, and there have been no complaints about that, either. "We have very strict collection policies," like no liens, she says. "The debt buyer must be doing a pretty good job because we send them a lot of junk."

In terms of pricing, she said that the hospital generally gets less than 3% for the old accounts. "It's not very much, but it's better than nothing."

Mercy has two hospitals with a combined 200 beds in the towns of Cadillac and Grayling, Mich. It is part of Trinity Health, which operates 47 hospitals nationwide.