

How to Pay Cash and Save at the Doctor's Office

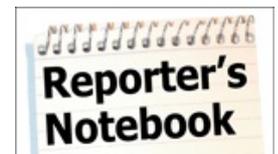


I was in the pre-op room at Sheridan Memorial Hospital earlier this month when the anesthesiologist, Dr. Garry Rains, breezed in about a half-hour before surgery. Cheerful, informative and solicitous, a perplexed look came across his face when I asked him what sort of discount I'd get if I paid in cash.

"I don't know. In all my years of practice, nobody's ever asked me a question like that before. I sure appreciate you being up front with me, though," he said. "Try calling my billing service."

The idea of cash negotiation for medical care came from a physician friend, Tom Wendel. While antelope hunting a few years ago, we got in a discussion about healthcare. He encouraged me to start a health savings account.

"Exploit a dynamic faced by every physician I know," said Wendel, "too much paperwork and too little cash."



I had to do some research, and I had to get over the "MDeity anxiety" that prevents most patients from trying to negotiate with doctors. But I was able to whittle down the total cost of my surgery 32 percent — a savings of roughly \$2,250.

First and foremost, however, I wanted to find a local solution to curb my healthcare costs. Insurance premiums continue to rise, despite recent attempts in Washington to keep them down. So why not bypass the Beltway and do something on my own?

Wyoming provides both a blessing and a curse in this area. While Wyoming has limited choices in healthcare, some physicians still work for themselves and have the freedom to negotiate fees.

"This fall, I traded a side of beef for an MRI," said Dr. Jim Ferries, an orthopedic surgeon and partner in Sheridan Orthopedic Associates.

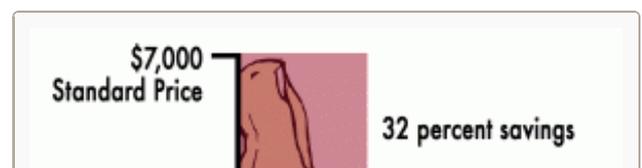
This wheeling and dealing may not last forever, however. The trend in medicine is for physicians to work as employees, thus they have limited power to negotiate fees, according to Sheila Bush of the Wyoming Medical Society, an organization that supports physicians.

GETTING MY FOOT IN THE DOOR

The pain started two years ago in Moab, Utah. After hiking in reliably comfortable boots, I felt an ache in the front of my left foot, just behind the toes. Pain had occurred there before, but it would fade in a matter of weeks.

Not this time. A stabbing, just-tolerable ache lingered on for months. A podiatrist gave the malady a scary-sounding name: [Morton's neuroma](#), a non-cancerous tumor that develops usually between the third and fourth toe.

I tried a series of what the medical profession calls "conservative treatments," including wearing shoes that actually fit. Burdened with feet sporting a generous beam, I'd been squeezing my dogs into the widest shoes I could find, commonly EE. The podiatrist informed me that my reluctance to accommodate my true width (EEEE) was the



primary cause of the neuroma.

This meant tossing most of my footwear and buying new models, acquiring cushy insoles, and getting cortisone shots. This worked, but only so long. Eventually, it became clear that surgery was necessary, which, for a Morton's neuroma, is pretty minor.

Yet the orthopedist examining my foot noticed that in addition to my neuroma, I now had acquired what's called a [hammertoe](#) — a deformity that made my second toe curl up like it belonged on the pedal extremity of the Wicked Witch of the West.

This meant real surgery, like in a hospital or surgery center, and an initial price tag of about \$6,800. For a person with a medical insurance policy with a \$5,000 annual deductible, this represented a substantial outlay, especially since I had deducted little this calendar year.

So I decided to do some homework and negotiate.

FIRST STEPS

First rule I learned: assume nothing about medical finance. A mélange of Medicare payments, varying insurance reimbursement, private pay and charity care governs the financial life of physicians and hospitals.

“Every practice is going to be completely different,” Bush said.

Second rule: expect a wide range of prices. U.S. antitrust regulations prohibit physicians and hospitals from collecting data on what their competition charges. My hospital and surgery center fees varied from \$4,460 to \$2,100 for the same set of procedures.

Third rule: be a discerning listener and devotee of facts, not hearsay. Medical finance is a politically charged topic rife with people trying to shift costs, either onto you or another provider.

For example, through a misunderstanding, I thought the Sheridan Surgical Center of Sheridan only gave privileges to a select group of physicians and that my orthopedic surgeon was not one of them. I was misinformed and that probably cost me.

Three additional requirements await those wanting a cash discount:

- The ability to pay promptly in cash and, usually, in one lump sum. Unless you're awash in disposal income, this requirement eliminates more expensive procedures like a hip replacement (which costs between \$32,000 and \$44,000), not to mention any sort of transplant (don't ask).
- The willingness to research standard fees set by Medicare and individual surgery disciplines, such as the American Academy of Orthopedic Surgeons. Some of this information is available online. If not, ask the person scheduling surgeries to show you how they determined the price.
- The persistence and willingness to negotiate directly with physician, hospitals or surgical center. Get over your case of MDiety. This includes — most importantly — shopping for services.

I have a [health savings account](#), which works like a debit card. Anyone with a high-deductible health insurance plan can stick up to \$3,000 per year in an account, all tax deductible, and use the funds expressly for medical purposes. This can be the source of cash to leverage a discount. My HSA account only had \$1,500 in it. That meant coming up with additional \$5,500 if I was going to pay sticker price for the procedures.

I made my haggle list: surgeon, anesthesiologist and surgical center or hospital.

DO THE MATH

I got immediate encouragement from my surgeon, Dr. Steve Rabon of Sheridan Orthopedic Associates. I asked his billing service about a cash discount. They said they would ask Rabon personally and get back to me.



While I waited for a reply, I [looked up the American Medical Association's Current Procedural Terminology, or CPT, code](#). These codes are medical identifiers and represent what Medicare will pay a surgeon and hospital for a specific procedure.

It's rare for a surgeon to make money on Medicare reimbursements. In fact, according to David Carter, a business manager for the Sheridan Surgical Center, "it's very difficult to even cover your costs on Medicare payments, although it does depend on the procedure."

Thus a surgeon has to find some way to make up the difference. If you go to the [website of Noridan Administrative Services](#), which contracts services to Medicare, and click on the Medicare Part B-Wyoming link, then look under [fee schedules](#), you can get a pretty good idea of compensation rates. Again, you'll need the [CPT code](#).

Medicare, while only for people over the age of 65, has such rate-setting power for physicians and hospitals, that anyone set on cash negotiations needs to know what it pays. Medicare will pay a physician about \$365 for a hammertoe correction and \$250 for a removal of a Morton's neuroma. That should add up to \$615 for an hour's work, but it doesn't, because it involves Federal government-style math.

"If you do a second procedure during one operation, they cut your reimbursement in half. If you do a third procedure, they cut it to a quarter," Rabon said.

In addition, reimbursement from Medicare can take up to 120 days.

In the meantime, Sheridan Orthopedics has to carry that cost of that operation. To recover the actual cost, they use a fee schedule provided by the American Academy of Orthopaedic Surgeons (AAOS) Musculoskeletal Coding Guide ([available at Amazon](#) for less than \$100). For a combination hammertoe correction and removal of a Morton's neuroma, they recommend a fee of \$2,144.

But that's negotiable. Actually, what I discovered is that all medical care costs, up and down the line, are negotiable. Insurance companies, in fact, hire secondary "repricers" to badger a physician to accept a lower fee for a bill they've submitted.

"We are used to competition," Carter said. "I get calls every day to negotiate fees."

The reward for a negotiated fee is a quick payout from insurance companies, often within three days, Carter said. Rabon offered me a 30 percent cash discount, preferably paid within five days of the operation. Thus, I was able to reduce my initial surgeon's fee of \$2,144 to \$1,500.

Negotiating with my anesthesiologist was not so easy. Due to rotation schedules, I would not know who my anesthesiologist was until two days before surgery. Moreover, most anesthesiologists do not keep standard office hours. Attempts to negotiate with the billing service that represents most Sheridan anesthesiologists were not fruitful. Discounts, the billing service said, had to be authorized by the physician.

Although he had never negotiated with any patient before, Dr. Rains was anything but dismissive. When informed that he, not his billing service, had to authorize any discount, Rains asked:

"Is Dr. Rabon giving you a discount?"

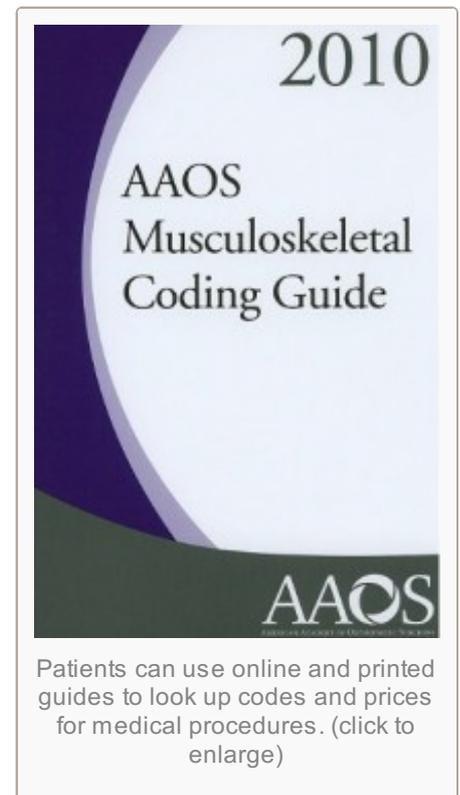
"Yes. Thirty percent."

"That's fine. I'll do the same."

Two down. One to go.

HOSPITAL LIMITATIONS

I knew this was going to be the tough one. Hospitals, particularly rural hospitals, must fight tooth and claw to survive. According to Dan Perdue of the Wyoming Hospital Association, uncompensated care (bad debt and



charity) for Wyoming's 26 hospitals in 2009 amounted to \$170,949,712.

That means those hospitals have to get their money from someone else or run a perpetual deficient.

Sheridan Memorial Hospital loses about \$410,000 per month in uncompensated care, according to chief financial officer Ed Johlman.

"Medicare pays 78 percent of the cost. Thus, I'm losing 22 cents on cost for every dollar I bill," Johlman said.

I knew that Medicare (if I were over age 65) would pay any Wyoming hospital or surgery center \$636 for my two procedures. How much more would they try to get from me? Laurie Green of Sheridan Memorial Hospital's finance department gave me the bad news: \$4,270 for the two procedures. Better news: a 25 percent discount for cash, paid within 30 days of surgery. That knocked it down to \$3,417.

I asked Green if she would give an additional five percent discount to match the 30 percent of the physicians.

"No," she said.

Hospitals have to be careful giving deep discounts, Johlman said.

"Federal law says I've got to treat everyone the same. If I give you a 50 percent reduction then I've got to give that to everyone," he said.

It didn't take me long to eliminate one potential competitor, however: Casper Orthopedic Institute, a state-of-the-art facility that provides both orthopedic care and surgery, through the Wyoming Surgical Center, under one roof. First off, the receptionist was reluctant to give out any information about how much the surgeon or the surgical facility would charge.

"We usually don't give out that kind of information," the operator said. "Give me your number and we'll get back to you."

When Terry (who declined to give her last name) of the Wyoming Surgical Center did call me back, she said that the procedure would cost \$5,600.

That stopped any further serious inquiry.

Surgical centers across the nation have made names for themselves by offering efficiency and often undercutting the local hospital. According to the Ambulatory Surgery Foundation, patients can expect to pay about 44 percent less for procedures performed in a surgery center as compared to a hospital outpatient department.

Yet here was a surgical center with a sticker price \$1,330 higher than the local hospital.

Later, I called the Wyoming Surgical Center back and asked if they negotiated prices.

"Sure," said chief administrator Charlie Robertson. "We give a discount right up front for cash. Usually, it's about 20 percent."

That would cut it down to \$4,460. From a consumer's point of view, however, that price looked grim in light of my next offer. The Yellowstone Surgical Center in Billings said they would give me a cash price of \$2,101.

But that meant trade-offs. Having the operation done in Billings meant a different doctor, of course. My Montana surgeon of choice, foot and ankle specialist Dr. Michael Yorgason, agreed to do the procedure for \$1,772, cash up-front and paid two days in advance of surgery. That added \$272 to the bill (when compared to Rabon), plus there would be weekly trips to Billings (135 miles each way) for post-op care.

I took the written estimate from Yellowstone Surgical Center and e-mailed it to Green at Sheridan Memorial Hospital, asking her if she could match the cost.

After consulting with her boss, Green called back with a counter offer: \$2,500. If I added my additional physician's fees and mileage costs, the Sheridan Memorial Hospital was my best deal.

A DONE DEAL

The procedure went well. I'm still gimping around with a titanium pin sticking out of one my toes, pleading with

man and beast alike to avoid so much as touching the pin.

I spent a total of \$4,750 for the surgery, saving myself roughly \$2,250 — the equivalent of my yearly premium for my catastrophic health insurance. Actually, I'll probably spend that much in the next few years buying new shoes.

But that's negotiable.

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