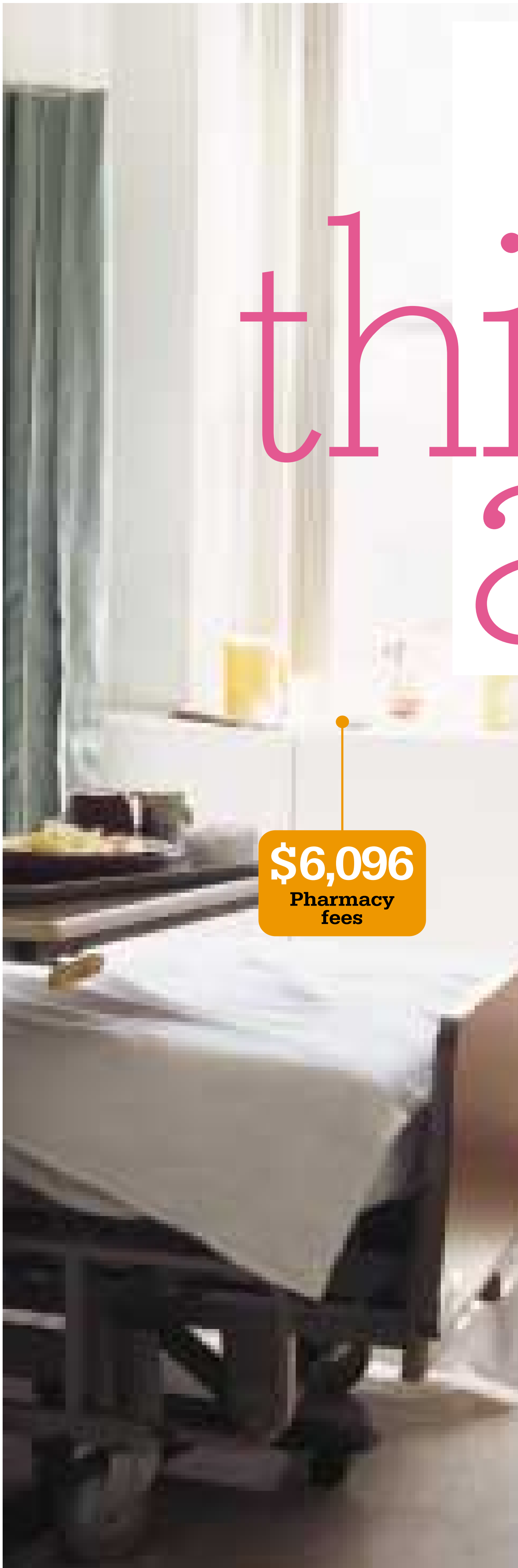

Get sick, go broke: Hospital bills can add up quickly. These are average costs for a short-term hospital stay for a patient like Joanne Jordan.
$2,271
Medical/surgical supplies
IV bags, needles, bandages and more
$1,754
Routine care
TV, telephone, psych services and more
$4,358
Room and board
$8,912
Diagnostic tests and imaging
X-rays, lab work and more
$5,489
Intensive care



think you're covered? think again

Even if you're insured, getting ill could bankrupt you. Hospitals are garnishing wages, putting liens on homes and having patients who can't pay arrested. It's enough to make you sick.

By Sara Austin   Photograph by Michael Luppino

Joanne Jordan's townhouse isn't much to look at. Her younger sister, Jessica Nally, laughs as she remembers the first time Jordan showed her the place. "I thought, Oh, my God," says Nally, 30. "It's dark-brown brick with drab-brown trim—there's absolutely nothing outstanding about it." But to Jordan, it was beautiful.

The three-story house in Manassas, Virginia, outside of Washington, D.C., is the place where the fiercely independent Jordan obtained her first mortgage. It's the place she spent her weekends, endlessly tinkering with the plumbing, painting the dingy walls or planting flowers. And after she was diagnosed with Hodgkin's lymphoma at age 27, it became a place of refuge, an escape from white-walled hospital wards.

What Jordan's home didn't offer was protection from her medical bills. Every day, she pried the notices out of her stuffed mailbox: a $3,145 co-payment for medications, $1,000 for each monthly dose of an experimental drug treatment and more than $13,500 for four months of chemotherapy at Potomac Hospital in Woodbridge, Virginia. Thinking too hard about where the money would come from while she was trying to heal would be overwhelming. So she steeled herself: This won't get between me and what I need. I am going to get treatment, if it means I have to pay for it every day for the rest of my life.

In May 2001, Jordan arrived home after a doctor's appointment, exhausted, to find a notice posted on her door by the county sheriff. Potomac Hospital's administrators had taken her to court and secured a lien on her house. If she failed to pay the $13,500, the notice threatened, Potomac could foreclose.

Jordan's haven was slipping away. Doctors were saying she needed a costly bone marrow transplant. At that moment, $13,000 seemed as out of reach as $1 million. She called her mother, in tears. "Mom, I think I'm going to lose my house."

Compared with other women facing illness, Jordan considered herself blessed. She had a supportive family and a job in real estate. And she had health insurance. But increasingly, even good coverage can't protect against rising medical costs. A single accident or diagnosis, and any woman—particularly a single one—can end up broke, even homeless. Last year, nearly 1 million Americans declared bankruptcy because of medical issues, says Steffie Woolhandler, M.D., associate professor of medicine at Harvard Medical School in Boston. That's nearly half of all bankruptcies in the country. And bankruptcy affects the American middle class more than any other group, Dr. Woolhandler says; 94 percent of filers are middle class, and 55 percent of them are women.

Patients are squeezed from every direction: Drug prices have gone up even as benefit plans have become skimpier, increasing patient co-pays and deductibles. But the biggest chunk of expenses is hospital costs, which have risen 10 percent per year since 1999, far outpacing inflation, says Glenn Melnick, Ph.D., professor of health economics at the University of Southern California in Los Angeles. Melnick's research found that last year, hospitals charged, on average, 211 percent more for services than it cost to provide them. In extreme cases, the markup can be 1,000 percent. As patients struggle to pay debts, hospitals are going to extremes to collect them, levying heavy charges worthy of credit card companies and using collection practices more suited to repo men than to often nonprofit, religiously affiliated institutions. It's a story Jordan and her family lived for more than five years. As she fought two recurrences of cancer, Jordan's chemo, radiation, two bone marrow transplants and other treatments ran up bills well over $1 million from seven different hospitals.

> "One accident, one diagnosis, and any woman can end up broke and even homeless."

Thousands of patients like Jordan have been sued and had liens put on their homes, according to the Service Employees International Union in Washington, D.C., which has investigated the issue in Connecticut, Illinois and California. Others have had wages garnished or bank accounts frozen. And hospitals in at least six states have responded to delinquent bills by having patients arrested and even thrown in jail, a practice rarely used by other creditors. The situation has gotten so bad that earlier this year, the House Subcommittee on Oversight and Investigations held hearings examining rising hospital costs and unsavory collection practices. Jordan's mother, Joanne Royaltey, 52, who works as a grant writer for Valley Health System in Winchester, Virginia, knows the issue isn't simple. "I realize hospitals need bills paid so that they can keep the doors open," she says. "But medical debt is not like credit card debt. Folks dealing with it are devastated by illness. They need help, not heartless collection agents. The hospitals may eventually get money from these people, but they destroy lives—which is in direct opposition to their mission to save lives."

Jordan was prone to infections from the time she was a small child. "She was always the kid with the swollen glands," Royaltey says. "We got used to it." When Jordan developed a sore throat in early 1997, she wrote it off as a winter virus. But spring came, and her throat still hurt; she gave in and went to an urgent-care center in Manassas. The diagnosis was almost immediate: classic Hodgkin's lymphoma, a cancer of the lymph nodes that commonly strikes adults in their 20s.

Jordan seemed to handle the discovery better than anyone. She called her mother, calmly broke the news and asked her to dinner. Together, over burgers and onion rings, they went through the lists Jordan had already made of doctors and treatment options. At the time, she was working as a nanny for a family with three children; the job had no benefits, so she had scrimped to purchase an individual insurance policy.

Jordan felt sure she would be covered. But the company refused to pay for her treatment. She had waited too long to see a doctor, the representative told her, and her lymphoma had been ruled a preexisting condition. Overnight, she was as good as uninsured. And because Virginia has no independent appeals process for patients whose coverage is denied because their illness is deemed preexisting, there was nothing to do but to continue treatment without it.

A surprising 75 percent of the people who declare bankruptcy due to medical debt had insurance at the start of their illness, according to Dr. Woolhandler's research. But in too many cases, coverage is denied or they become too sick to work and lose their employer-subsidized insurance. "Physical therapy and many other things patients need are not covered," Dr. Woolhandler says. "All of a sudden a family spirals down into bankruptcy. Almost any diagnosis can do it."

Remember this!

The time to protect yourself from medical debt is before you are at the hospital door. Here's how.

- **NEVER GO UNINSURED If you can't afford the best policy, get one with a very high deductible that covers catastrophic illnesses or accidents. Visit www.insure.com to compare policies.**
- **KNOW WHAT'S COVERED Ask your insurer if it imposes any caps on what it will pay, either annually or over your lifetime, and whether certain drugs or treatments aren't covered. You can't fill the gaps in your plan unless you know what they are.**
- **INVESTIGATE YOUR OPTIONS If you enter the hospital, ask immediately to speak with an in-house financial counselor to learn what your insurance covers and whether you qualify for any price breaks or aid. "Often people who have limited means are embarrassed to talk about that," says Richard Wade, spokesman for the American Hospital Association in Chicago. "If you aren't getting the help you need, raise Cain."**
- **FIND AN ADVOCATE Consult resources on medical debt at www.consumerlaw.org. Find a lawyer or nonprofit counselor through your local bar association, Legal Services office or the National Association of Consumer Advocates in Washington, D.C. (www.naca.net).**

Perversely, hospitals end up charging patients who have lost their insurance several times more than they charge insured patients for the same procedures. That's because private insurers use their leverage to negotiate huge discounts. But uninsured patients have no such leverage: They typically pay full price. An HMO might pay $10,000 for treatment of a heart attack, for example, while an uninsured woman with the same condition, treated in the same hospital, pays $30,000. Critics say that hospitals are balancing their books on the backs of their most vulnerable patients.

"There's something completely backward about the system," says Elisabeth Benjamin, director of the health-law unit of the Legal Aid Society of New York City. "It's like sending a guppy out to the sharks." She adds that some uninsured patients are eligible for charity care but aren't told about the programs—in a sense, they never should have been debtors in the first place. Last year, the society surveyed 22 hospitals in New York City and found that none of them had a process to let underinsured or uninsured patients apply for the hundreds of millions of dollars in state-government funds intended to help pay for hospital care for the needy, despite the fact that the hospitals are all receiving between $4 million and $60 million annually in charity care funds from the state.

But as Richard Wade, spokesman for the American Hospital Association (AHA) in Chicago, notes, fully one third of hospitals lost money last year, mostly due to the costs of treating uninsured patients, rising drug prices, increased hospital staffing costs and lower reimbursements from insurers. About 4,000 of the association's 5,000 member hospitals have in place or are developing a discounting plan for uninsured patients, Wade says, but the only long-term solution is to overhaul a system that leaves more than 45 million Americans uninsured and still others underinsured. "I haven't seen too many articles in the paper about insurance companies going belly-up lately," Wade adds. "Everyone is going to have to give up something if we are to radically change the system to be inclusive of everybody."

As her health deteriorated, Jordan told her mother that she'd always wanted to see the Rocky Mountains. But with treatment straining her finances, she couldn't pay for a trip. Royaltey and her partner, Edward Wilman, bought a rickety 1977 Winnebago with orange shag carpet and the original fixtures and headed west with Jordan on a monthlong road trip in July 1997. "We were like a traveling hospital ward," she says. "Every morning I woke up to watch Joanne injecting herself with various chemo treatments and blood boosters, all kinds of medications, pills, IVs. When we got to Denver, we pulled into a parking lot at a medical office, where she had arranged to get chemotherapy."

Within months of returning from the trip, Jordan got a new job, as an office manager for a corporate real estate firm. She had a salary of around $30,000 and a new insurance plan that would cover a portion of her treatments. Her doctors began preparation for a bone marrow transplant at the Johns Hopkins Kimmel Cancer Center in Baltimore. The procedure, in October 1999, seemed to go well. But even with insurance paying for the transplant, the mail kept coming—bills for co-payments, deductibles and uncovered services, including the unpaid $13,500 charge from Potomac Hospital that resulted in the lien on her home. Even before the lien, she had been forced to take out a second mortgage. "I know it weighed on her," Nally says. "How could it not? Even if insurance covers 80 percent, 20 percent of half a million dollars is still $100,000. The numbers just went up and up."

Much smaller debts than Jordan's have landed women in trouble with hospital debt collectors. Kara Atteberry, a 26-year-old single mother in Urbana, Illinois, was briefly jailed for nonpayment of $1,514 for treatment at two local nonprofit hospitals. She was eight months pregnant when a warrant was issued for her arrest. Atteberry, whose story was first reported in *The Wall Street Journal,* was released after making a $250 bail payment. She still owes one of the hospitals.

Extreme collection methods such as arrest warrants are rarely used by credit card companies and other consumer debt collectors, says Melissa Jacoby, a law professor at the University of North Carolina at Chapel Hill who specializes in the impact of medical debt on individuals. And yet medical bills seem to cry out for more humane treatment than other debts. "If a consumer doesn't like the terms a store offers for the purchase of a television, the consumer can walk away," Jacoby says. But when a mother rushes her child to the emergency room, or when a bill is for a lifesaving bone marrow transplant, that's not a realistic option. In trying circumstances, patients or family members may sign documents agreeing to terms they wouldn't accept from other creditors.

As a result, already ill people get *(continued on page 250)*

PROP STYLING, ANNE KOCH

(continued from page 249) sicker. In one study from Columbia University in New York City, nearly half of people involved in debt-collection lawsuits said their money troubles had affected their health, causing afflictions such as headaches, insomnia and stomach problems. And the more aggressive the debt collection, the worse the debtor's health. "It exacerbates the problem, because when a patient has had a bad experience with a hospital's billing department, she won't want to go back to the doctor in the future," Jacoby says.

In the spring of 2001, a checkup revealed that Jordan's lymphoma had returned. Her oncologist recommended another bone marrow transplant, this time across the country at the Seattle Cancer Care Alliance. But because her insurer covered only one transplant per patient, payment was denied.

That fall, Jordan learned the company had rejected her third and final appeal of its decision. This time, however, her employer backed her up. "One desperate e-mail from me to our NY office...and my transplant was approved, the insurance company's decision overridden, no questions asked," she later wrote in an e-mail to her staff. "During this time of budget cuts, it's nice to know that our company has not forgotten the really important things."

Jordan spent four and a half months in Seattle recovering from the procedure. She needed round-the-clock care, but the family couldn't afford a private caregiver. Insurance typically does not cover this expense, making it another huge financial burden. A dozen of Jordan's friends and family took turns, flying to Seattle a week at a time, some making the trip twice. Nally sat with her sister as she fought back extreme pain, a lung infection, an accidental morphine overdose and her own frustration at being sick.

In July, as Jordan was finally preparing to return home to Virginia, a group of loved ones gathered at her Manassas townhouse. "As Joanne got sicker, the upkeep had been zero," Nally says. "We didn't want her to come home to this dilapidated house." With limited funds, the family negotiated half-off discounts with local hardware stores for materials and set about hammering, scraping, painting and sanding. By the time the group was done, the house had new floors, new carpeting and new paint. Jordan needed her mother's help to walk through the door, but her eyes sparkled.

That memory is one of Nally's best from the last weeks of her sister's life. The second transplant had severely weakened her immune system. In October 2002, three months after returning home, Jordan died of sepsis, a powerful infection. She had just turned 32.

Jordan left detailed plans for her memorial service, from the guest list ("I guess all are invited, even the exes") to the music (James Taylor, Sarah McLachlan—"no chamber garbage") to what to do with her remains (donate them to oncology research). But there were no instructions for her estate; whether out of protectiveness or pride, she'd kept the full burden of her debts to herself.

"I was so overwhelmed with making funeral arrangements, I didn't have time to grieve," Royaltey says. "And then I realized the extent of the debts. I had talked to Joanne every day but never really understood what she was going through. I started sorting her mail, and every time I opened a bill, it was thousands of dollars. She could have worked 20 lifetimes and never paid it off. It made me sick to have to deal with it, and it made me even sicker to know she had been dealing with it alone."

Royaltey set about trying to negotiate payments with each doctor, hospital and pharmacy. And they became intent on saving Jordan's house. "It's just this little townhouse, but we had put so much blood, sweat, tears and love in there," Royaltey says. "I want it to be Joanne's legacy to her younger sister."

Almost a year after her daughter's death, Royaltey found herself explaining the situation to Potomac Hospital officials and collection agents again and again, each time finding a different voice on the end of the line, and each time reliving Jordan's death. Interest and fees had swollen the lien to $16,500. Nally got a home-equity loan big enough to cover the lien and the second mortgage if necessary, but the family hoped the *(continued on page 255)*

think you're covered?

(continued from page 250) hospital would negotiate: If they could get the lien reduced, they could tap into the money to pay other impatient creditors. Desperate, Royaltey and Nally went so far as to call the bank issuing the home-equity loan and ask it to withhold the check meant for Potomac while they tried to work out a compromise.

The hospital attorney contacted the courts, mortgage company and bank, accusing Royaltey of being unfit to administer her daughter's estate. A few days before Christmas, Royaltey reached him on the phone.

"This is business. I'm going to hang up if you cry," he said, Royaltey reports.

"I don't want to do anything illegal or extreme. I'm asking Potomac Hospital to make a deal with us," she said.

"I am Potomac Hospital," he said. "And there is no deal."

"I will be repeating that attorney's words over and over," Royaltey says today, "until there is a better deal for other people in this situation."

(A spokeswoman for Potomac Hospital says its records show no one from the Jordan family contacted its financial offices until 2003. The representative says the hospital has a policy of trying to help someone in Royaltey's position, but by that time the account had already been handed over to legal counsel.)

Alarmed by cases like Jordan's, a few state legislators have moved to make sure that a better deal happens. In Connecticut, hospitals are now required to work with patients to set up a fair payment plan before resorting to lawsuits, liens or arrests. The highest interest rate allowed is 5 percent—half of what it was previously. In Illinois, one of the hospitals that had Kara Atteberry and other patients jailed has had its property tax exemption revoked, and a law under debate would restrict aggressive collection practices and ban discriminatory pricing that penalizes uninsured patients.

The AHA, while urging its members to adopt "fair and balanced billing and collection practices," has never chastised them for targeting patients' bank accounts and home. But some institutions have made changes on their own. At the Seattle Cancer Care Alliance, every patient has access to a counselor who can help determine whether she is eligible for Medicaid or meets criteria for charity care. Billing representatives "keep detailed records, and everyone has the same information," Royaltey says. "You don't have to keep reliving the whole thing over and over until you feel you are going to collapse."

Last year, Royaltey received a grant of $35,000 to form a local branch of Faith in Action, a volunteer organization that provides free transportation to chemotherapy and dialysis patients. She's also planning to write a book to help guide patients and families through the maze of medical debt. Nally used her loan to pay the entire $16,500 lien on the townhouse and moved into it with her new husband in May 2003. Now, two years after Jordan's death, the family is struggling to pay off the last debts, including $19,000 still owed to the Seattle Cancer Care Alliance. Royaltey worries collectors will eventually lose patience and come after the house yet again. "Cancer robbed my daughter's health and her life," she says. "Now the only thing I have left of her will be stolen, too."

Additional reporting by Kristin Kane

ESTÉE LAUDER COVER LOOK GIVEAWAY

NO PURCHASE NECESSARY. You must be a legal resident of one of the 50 United States or the District of Columbia and at least 18 years old to participate. Please e-mail your full name, complete mailing address and daytime phone number to octobercoverlook@self.com on October 25, 2004, at noon ET. One entry per person, household and/or e-mail address. If you are one of the first 20 people to reply, you will receive one of each of the following: Estée Lauder Pure Pops Brush-On Color in Berry Twist (approximate retail value $17); Estée Lauder Artist's Eye Pencil in Brown Writer (approximate retail value $18); Estée Lauder Lash XL Maximum Length Mascara in Black (approximate retail value $21). The approximate retail value of each prize package is $56. You may at times receive e-mail offers or information from SELF or carefully selected third parties. If you do not want to receive such offers or information, please write NO E-MAIL MARKETING in the subject line of your message. Employees of The Condé Nast Publications Inc. and Estée Lauder ("Sponsors") are not eligible. Please allow six to eight weeks for delivery after the offer has ended.

25TH ANNIVERSARY MAKEUP GIVEAWAY

NO PURCHASE NECESSARY. You must be a legal resident of one of the 50 United States or the District of Columbia and at least 18 years old to participate. Please e-mail your full name, complete mailing address and daytime phone number to 25makeup@self.com on October 15, 2004, at noon ET. If you are one of the first 25 people to reply, you will receive a five-piece American Beauty makeup kit. The approximate retail value of each prize is $72. You may at times receive e-mail offers or information from SELF or carefully selected third parties. If you do not want to receive such offers or information, please write NO E-MAIL MARKETING in the subject line of your message. Employees of The Condé Nast Publications Inc. and American Beauty ("Sponsors") are not eligible. One entry per person, household and/or e-mail address. Please allow six to eight weeks for delivery after the offer has ended.