STATE OF CALIFORNIA

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DMHC Seeks Court Action to Prevent Prime Healthcare from Balance Billing any HMO Member

Latest example by Prime is recent collection notices to upwards of 6,000 Southern California Kaiser members

(Sacramento) -- The Department of Managed Health Care (DMHC) has filed a lawsuit in the Orange County Superior Court to stop Prime Healthcare Services (Prime) from violating the law by balance billing HMO patients for services received at its hospitals. The action seeks a court order prohibiting Prime from balance billing practices, and penalties of $2,500 for each violation. In recent years, Prime has billed thousands of emergency room patients for amounts that it claims it is owed by health plans, using a debt collection agency to threaten the credit ratings of HMO patients.

"Prime Healthcare's ongoing practice of putting consumers in the middle of billing disputes between providers and health plans is the largest example of this egregious practice we've seen to date and it must be stopped," said DMHC Director Cindy Ehnes. "Consumers who have purchased health coverage in good faith deserve to know that it will cover them in a medical emergency and not result in crushing medical debt."

Recent litigation between Prime and California health plans has revealed in excess of 3,500 instances of consumers receiving balance bills from Prime. Many have received letters from a debt collection agency, controlled by Prime, demanding payment.

The largest number of balance billing cases by Prime to date was brought to the attention of the DMHC in April 2008, when the healthcare system began sending collection notices to a large number of Kaiser members who were treated at emergency rooms at one of its nine hospitals in Southern California.

(more)

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Balance billing is a controversial practice. It pits health care providers, who are seeking reimbursement for emergency services they rendered, against health plans, who have a duty under the law to pay only the reasonable and customary value of those services, often less than the provider's billed charge, leaving a balance then passed on to the consumer. Health plan members are caught in the middle of this dispute, not knowing if they legitimately owe the amount.

The Knox-Keene Act, enforced by the DMHC, prohibits Prime's practices, where the consumer is billed for emergency services which are the responsibility of the health plans. Governor Schwarzenegger's health care reform plan included a provision that would have banned this practice by hospitals. The DMHC has been investigating the billing and payment practices of both providers and health plans.

The California Department of Managed Health Care is the only stand-alone HMO watchdog agency in the nation, touching the lives of more than 21 million enrollees. The Department has assisted more than 633,000 Californians resolve their HMO problems through its 24-hour Help Center, educates consumers on health care rights and responsibilities, and works closely with HMO plans to ensure a solvent and stable managed health care system.

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