

Pay Up, Please

Business grows for company that collects unpaid medical bills for health-care providers

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Elisabeth Barksdale is the president of Computer Credit Inc.
(Journal Photo by David Rolfe)

When Computer Credit Inc. opened its doors more than 30 years ago, its business idea was a small one. The private company, based in Winston-Salem, was created to collect unpaid medical bills for doctors, saving them from having to chase down the debts.

Since then, the company has grown into one of the country's largest collection agencies for health-care providers, and its clients include hospitals and medical centers throughout the country.

It is still changing. Computer Credit became an employee-owned company last month and started an online debt-collection service for doctors in May, said Elisabeth Barksdale, the company's president.

Over the years Computer Credit has had to redefine itself to meet changing demands in health care, officials said.

More patients are having trouble paying their medical bills on time, because the cost of health care is increasingly being shifting to consumers, health-care analysts said. As a result, debt-collection companies are seeing more health-care providers coming to them for help, said Steve Graybill, a senior health-care analyst with Mercer Human Resource Consulting in Charlotte.

Because of "market strategies of basically cost-shifting to consumers, hospitals are seeing receivables go up," Graybill said. Hospitals "are sending out one or two bills, then they're pushing it off to an outsourced agency."

Computer Credit is one of those agencies. The company, created by J. Gilmour Lake in 1972, has about 60 employees.

The company, on West Fourth Street, began as a small business for independent doctors, but later shifted mainly to serving large medical centers, Barksdale said. It now collects bills for about 400 medical centers throughout the country, such as Wake Forest University Baptist Medical Center, Forsyth Medical Center and Memorial Sloan-Kettering Cancer Center in New York.

The business is trying to both expand and reclaim its roots. In May, it started MD-Collect, an automated Internet service that sends letters to patients warning them to pay their delinquent medical bills.

Computer Credit officials estimated that the service could serve as many as 150,000 doctors nationwide. They declined to say how many doctors have signed up for the service.

The service was created primarily to help independent doctors who are having trouble getting patients to pay their bills, said Rick Manuel, Computer Credit's vice president of Interface Development.

"It's a huge market," Manuel said. Because of changes in health-care payments for patients, doctors "have more of a collection problem now than they had 10 years ago."

Indeed, though changes in health care have come as a problem for many consumers, they could be a boon for debt-collection agencies.

As health-insurance plans move the cost of care on to patients - primarily through increased premiums, deductibles and out-of-pocket medical costs - more patients are paying their medical bills late, according to a study released this month from the Commonwealth Fund, a health-care research and policy organization in New York.

According to the study, about 77 million Americans with or without health insurance had problems paying their bills in 2003. The study did not track numbers for previous years.

The shifting cost of health care has sent more debtors to Computer Credit. Barksdale said that the company has grown but declined to disclose Computer Credit's financial numbers.

In its early days, the company handled about 800 new accounts from hospitals each month, she said. Now it handles about 1,100.

"Health care has changed," Barksdale said. "And with the changes in health care, there are more people who are uninsured."

The world of credit collections is not always easy. Customers often have a myriad of reasons for not paying their medical bills, and Computer Credit's employees sometimes have to deal with abusive customers on the other end of the phone.

"We're not who most people want to hear from," said Wanda Woods, the company's collection manager. Woods said that many people typically don't realize that their health-insurance plans pay for only a portion of their medical treatment.

Computer Credit's ability to get people to pay their bills is because of the way the company deals with customers, said Becky Raif, a company spokeswoman. The business allows customers to pay their bills through installment plans, for example. "We don't want to alienate the patient from the hospital," Raif said. "We want to encourage communication."

The company's employees have a direct stake in its success. Computer Credit became an employee-owned company in July when Lake, its founder, retired,

Barksdale said. It became employee-owned through an Employee Stock Ownership Plan, she said.

Through an employee-stock-ownership plan, a company's workers can buy stock in the business. Barksdale said that employee-ownership can insulate the business from being sold to another company.

"As an employee-owned company, our success is very much defined by our employee-owners and the investments we make in our future," she said.

Employee-owned companies are intended to increase communication and decision-making among workers, but any ESOP has its pitfalls. Workers who are in an ESOP can lose money if the business falters, said Bill Whitehurst, a lawyer at Womble Carlyle Sandridge & Rice PLLC in Winston-Salem.

Publicly traded ESOPs have similar worries. If stock of a publicly traded company falls on Wall Street, its employee-owners can also take the financial hit. Employees in some public ESOP companies such as UAL Corp., the parent company of United Airlines, lost money when that company stumbled, he said.

Computer Credit is a private company.

To join an ESOP, most of a company's employees must typically buy the stock of a retiring owner, according to the ESOP Association, a trade organization. Employees usually buy into a company depending on their years of employment or salary levels.

ESOPs were popular during the 1980s, but the U.S. Congress removed some tax incentives from them in 1989, which slowed growth, according to the trade organization. There are about 11,000 ESOPs nationally.

Barksdale said she expected the company to continue adding hospital clients, and that more doctors nationwide will sign onto its Internet-collection system.

Collecting medical payments from patients "will continue to be a big problem for the health-care industry and medical profession," she said.

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