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## **Medical Debt Sellers Looking for Buyers in Weak Financial Market**

*As the economy weakens, hospitals are looking to recoup some money from their receivables. But the credit crunch has limited the number of buyers in the market.*

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The chief executives of two medical debt-purchasing companies told insideARM that their companies will significantly increase the number of portfolios they buy in 2009. The main reason: with patient volume down, earnings on investments low and access to capital practically non-existent for many health providers, hospitals are ramping up efforts to sell their receivables.

"Hospitals are out there with their files," said Jim Richards, president of Atlanta-based Capiro Partners, LLC. Richards said the one-year-old company has been closing about a deal a month. He expects Capiro to invest between \$12 million and \$20 million in medical debt portfolios before year's end.

Meanwhile International Portfolio Inc. (IPI) expects to buy 50 percent more portfolios in 2009 than it did in 2008, both in terms of the number of portfolios and their face value, said Richard Shusterman, the company's chief executive. Shusterman said he anticipates that the total face value of the receivables will exceed \$20 billion.

While other accounts receivable management companies have been stymied by the credit crunch, both IPI and Capiro haven't been impacted because the companies are self-funded. As a result, the companies have been looking at a lot of files.

About one-third of the portfolios Capiro has looked at are from first time sellers. Most of IPI's business is from long-standing clients. However, Richards and Shusterman said they've noticed some trends they expect will boost the pace and volume of medical debt purchases this year.

"Unlike in the past, some of the portfolios now being purchased are as newly aged as 120 days from the date of patient discharge," Shusterman said.

Additionally, the West Conshohocken, Pa.-based company has been contacted by more sellers at this point in the current year than in prior years, Shusterman said. "And such sellers are seeking to sell more and different types of paper, for example 'forward flow'-type portfolios, in addition to those that are commonly referred to as 'archive'," he said.

Richards, meanwhile, said that the new sellers entering the market are more knowledgeable.

"Their education level is higher," Richards said. For example, Richards said that some hospitals are selling the self-pay portion of the Medicare receivables along with Non-Medicare accounts they have charged off to take advantage of any remaining value they may have for them, and to ensure the hospital stays in compliance with the Centers for Medicare and Medicaid Services rules for not benefiting from future collection efforts.

"When you deem it uncollectable, you have to be done with the account," Richards said. "The only way to recoup additional money (from self-pay Medicare and Non-Medicare receivables) is to sell it."