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New Trend in Medical Debt Sales Bypasses Collection Agencies

A medical debt purchaser says that hospitals are skipping the placement of healthcare accounts with collectors and going straight to selling portfolios of debt.

By Cynthia Wilson
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Jim Richards, president of debt purchaser Capio Partners, returned to the business of debt buying and collecting less than a year ago, but he's already noticed a significant trend: some hospitals are bypassing their primary collection agencies and selling late-stage receivables.

"Some are starting at six months from discharge," Richards said. "If they sell at the right price, they can get the same money in a shorter time."

The trend is emerging not just because hospitals are looking for a one-time influx of cash. Selling the paper sooner eliminates hospitals' cost and time spent managing collection agencies, Richards said.

"If they place the receivables, they're hoping the economy stays the same and the agency's performance stays the same," Richards said. "Once they sell, they eliminate the sensitivity to the market and shift the risk from the hospital to the debt buyer."

Richards said with the economy in turmoil and self-pay accounts on the rise, selling medical debt paper sooner is one more solution available to hospital accounts receivable managers. But fear not. Many times, those buyers turn to the hospitals' primary agencies to collect the debt.

Since opening for business earlier this year ("Richards Building Capio to Capture Top Spot as Health Care Collector," February 25), Atlanta, Ga.-based Capio has bought about a half-dozen portfolios and opened a 30,000 square-foot call center in Sherman, Texas. Workers there collect on accounts purchased by Capio, accounts placed directly from hospitals, and paper purchased by other debt buyers, Richards said. Currently, the call center employs about 50 workers. Plans call for the facility, formerly occupied by Cigna, to house 168 employees.

Capio expects to end the year with at least a dozen portfolios purchased. "We're getting deals in every week to look at," Richards said.

And with fewer medical debt buyers in the market, Richards said he has been happy with the purchase price of medical debt receivables ranging from 75 basis points to 2.25 basis points, depending on the receivables' demographics and age.