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## Richards Building Capio to Capture Top Spot as Health Care Collector

Jim Richards says his new firm could invest as much as \$100 million over three years to fill a need in the growing health care debt market.

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Veteran health care debt expert Jim Richards says there's a service gap in the healthcare receivable industry and he and his partners at Capio Partners, LLC plan to capitalize on it. "We think we can end up being the largest and premier debt buyer in the business," said Richards, Capio's president and chief executive. Richards, a founding member of Attention LLC, and former president of West Asset Management, last month launched Capio, which means "capture" in Latin. The company will specialize in buying and collecting self-pay debt from hospitals and from hospital affiliates specializing in the areas of pathology, radiology, anesthesiology and emergency room service. Capio's headquarters is in Atlanta and its collection operations are located in Sherman, Texas.

Richards came out of retirement to form Capio with Cindy Armstrong, Doug Sawyer and Mark Detrick, three of the executives he worked with to found Attention, a secondary-debt collector. Capio has hired 40 agents to work in its 30,000 square-foot facility in Texas. Richards said that Capio should have 100 agents by year's end and 250 employees within three years. Richards said the time was right to start a new in health care debt because the industry has a huge service void. "Big debt buyers don't quite understand hospitals or healthcare debt. And the people who do understand them don't have the capital typically needed to buy the accounts," he said. Richards said Capio will invest \$10 million to \$20 million of its own money into its ventures and look to larger debt buying companies, such as CarVal Investors to fund the remaining 80 percent over the next three years. Capio hopes to invest up to \$100 million into a series of portfolios over the next three years.

Richards said he expects the money to buy a lot more debt than it might have a year ago. With larger investors like Encore Capital Group no longer in the business and economic conditions worsening throughout the country, Richards said he expects healthcare debt buyers to pay between 10 and 20 percent less than they would have a year ago, depending on the creditor. The executives at Capio bring more than a combined five decades of experience and numerous contacts to the business, said Richards. "We've seen more receivables than almost anyone else," he said. "We have a better feel of how to evaluate it." Richards said hospitals are being inundated with self-pay accounts they don't have the manpower to manage. "The hard part for a provider is working all the smaller balance patients," Richards said. "They have tens of thousands of smaller amounts and they're not efficient in getting them to pay." Capio will work with small to mid-size collection agencies to buy debt from many of their clients. Together, they will work to collect on the accounts, which Richards said Capio doesn't plan to resell. Richards also expects hospitals will outsource or sell more of their self-pay accounts within two weeks of being established for those patients who have no insurance. He also anticipates hospitals will opt to outsource or sell self-pay accounts created from unpaid co-pays or deductibles within 60 days. "Self-pay accounts offer the least income and require the most work," Richards said. "They don't have the staff to handle self pay account." However, the highest bidder should not expect to win over most health care providers looking to sell debt. "When it comes to hospitals price is secondary," Richards said. "If a buyer is willing to pay more, but doesn't have experience, they (hospitals) will sell it for a little less to someone they trust."

Richards began his collections career in 1973 as an agent with GC Services. During his 16 years with the firm he worked his way up to vice president of operations before joining a healthcare debt roll up company, which was later sold to Medaphis Corp. That company sold its hospital services division to NCO Group, Inc. In 1998, Richards teamed with his colleagues to form Attention, LLC, which grew to be a major player in its space. West Asset bought Attention in 2002 and put Richards in charge.