

Staying Ahead

with Saul Ewing

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Life Sciences Law

Pennsylvania Hospital is Only Entitled to be Reimbursed Average Collection Rate for Medicaid Services

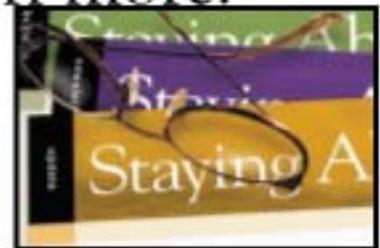
What happened?

Just a few weeks ago, the Pennsylvania Superior Court held that HMA must reimburse Temple University Hospital for Medicaid services at the hospital's average collection rate, and not the hospital's published rate.

What does it mean?

The ruling defines the reasonable value of a medical service provided by a Pennsylvania hospital as an amount equal to the hospital's average collection rate for that service – significantly, not the hospital's published rate for that service.

Learn more.



Turn page (scroll down) to find out about the Pennsylvania Superior Court decision in *Temple University Hospital Inc. v. Healthcare Management Alternatives, Inc.*

The Pennsylvania Superior Court’s Decision in Temple University Hospital Inc. v. Healthcare Management Alternatives, Inc. a/k/a Americhoice of Pennsylvania, No. 1641 EDA 2002, 2003 WL 22071525 (Pa. Super. Ct. Sept. 8, 2003).

1) Case Facts

From 1991 through 1993, Temple University Hospital (“Temple”) contracted with Healthcare Management Alternatives, Inc. a/k/a Americhoice of Pennsylvania (“HMA”) to provide medical services to patients who were part of HealthPASS, a Pennsylvania Department of Public Welfare program that required Medicaid recipients in parts of Philadelphia to enroll in a managed care program operated by HMA. Temple did not extend the contract in 1993 because it believed that the 1991 contract rates were inadequate.

However, Temple continued to provide emergency medical services to HealthPASS patients while it negotiated a new contract with HMA and advised HMA that it intended to collect its published rates for those services until a new contract was finalized (this did not happen until the 1991 contract had been expired for three and one-half years). HMA refused to reimburse Temple at its published rates, offering instead to pay HMA’s standard rate for out-of-state hospitals, which was approximately 59% of Temple’s actual medical assistance cost per day. Temple advised HMA that this payment arrangement was unacceptable, and HMA proposed instead to pay Temple at the 1991 contract rates. Temple also rejected this payment

arrangement, and subsequently brought suit to against HMA to recover payment at Temple’s published rates.

Originally, the trial court ruled that an implied contract existed between the parties from 1993 to 1997 that required HMA to reimburse Temple at the 1991 contract rates. An appellate ruling reversed this holding, and sent the case back to the trial court. Back in the trial court, evidence was presented that in 94% of Temple’s cases, Temple was reimbursed less than 80% of its published rates. The trial court subsequently ruled that Temple was entitled to recover under the doctrine of “unjust enrichment” and awarded Temple the difference between what Temple had been paid by HMA and Temple’s published rates. The trial court also ruled that whether Temple’s published rates were commercially reasonable was irrelevant since it did not believe that those rates were unconscionable.

2) The Pennsylvania Superior Court’s Opinion

The Superior Court agreed that Temple was entitled to recover from HMA under the doctrine of “unjust enrichment.” However, the Superior Court stated that unjust enrichment is an equitable remedy that only requires HMA to pay Temple the “reasonable value” of the medical services rendered, and that the trial court had ignored this principle by only focusing on whether Temple’s published rates were unconscionable. The Superior Court noted that while Temple’s published rates are the same or less than those set by other area hospitals, those rates do not accurately reflect the value of the services since Temple only collects its published rates in a small percentage of its cases. The Superior Court ruled that the

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benchmark by which “reasonableness” should be measured is what ordinary people in the hospital’s community pay for medical services, or Temple’s average collection rate for the services during the years in question.

The Superior Court also reasoned that Temple was obligated to provide medical services to HealthPASS patients under federal law, and HMA could not prevent those patients from seeking medical services at Temple. Therefore, Temple should not be allowed to achieve a windfall by recovering a rate of reimbursement that it does not receive from the majority of its patients.

Temple has sought to appeal to the Pennsylvania Supreme Court.

3) What Hospitals Need to Know About the Temple v. HMA Court Decision

The issue of when hospitals can charge their published rates for services is a subject of national debate because the people who often wind up paying a hospital’s full rates are the uninsured who do not benefit from the deep contract discounts hospitals negotiate with private insurers and government payors. The U.S. House Energy and Commerce Committee recently gathered information on uninsured billing practices from 20 health systems. Tenet Healthcare Corp. also recently settled ten lawsuits against some of its hospitals in California, all of which alleged that the hospitals’ billing and collection practices against the uninsured lacked fairness under state law. Tenet has agreed to limit its efforts to collect unpaid hospital bills and has sought permission from regulatory authorities to offer discounts to the uninsured. The decision

in *Temple v. HMA* may become an issue in the national debate because the services at issue were provided while there was no contract in force between Temple and HMA. If the Superior Court’s decision remains good law in the Commonwealth, Pennsylvania hospitals may also need to rethink their methodology for charging uninsured patients for medical services.

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