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# Medical-Debt Charity to Buy, Wipe Out \$278 Million of Patients' Hospital Bills

Deal between Ballad Health and RIP Medical Debt shows the gaps in the financial-aid programs of nonprofit hospitals



By *Melanie Evans* and *Anna Wilde Mathews*

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A national charity will for the first time buy medical debt, totaling \$278 million, directly from hospitals, a push to speed financial relief to patients, many of whom shouldn't have been billed at all under the hospitals' financial-aid policies.

RIP Medical Debt, which uses donations to wipe out unpaid medical bills, has reached a deal with nonprofit Ballad Health, a dominant hospital system in Tennessee and Virginia, to buy debt owed by 82,000 low-income patients. Many likely qualified for free care under Ballad's policy but didn't get it, executives at Ballad involved in the agreement said. The patients lacked applications, they said.

RIP Medical Debt will abolish the total amount and is expected to notify households of the debt relief this month. Some bills are 10 years old.

"They still owe that money," said Allison Sesso, RIP Medical Debt's executive director. "It's

a weight on them.” As many as one in five residents in some ZIP Codes have Ballad debt that will be relieved, she said.

The deal highlights gaps in financial-aid programs by nonprofit hospitals, which get federal, state and local tax breaks in exchange for giving back to their communities. State attorneys general, lawmakers and patient advocates have faulted hospitals for aid programs they say are hard to apply for and poorly promoted.

“Often you’ll see, ‘You might be eligible for financial assistance’ in tiny print, but it’s pretty hard to find,” said Elisabeth Benjamin, vice president of health initiatives at the Community Service Society of New York. “It’s like playing ‘Where’s Waldo.’”

Maryland recently added new restrictions on hospital debt collection, after a state report said hospitals wiped out less than half of their charges to patients who were eligible for free care under state law in 2018.

Washington state’s attorney general sued hospitals over patients’ access to financial aid. Under a 2019 consent decree, nonprofit hospitals refunded about \$1.6 million to patients.

Hospitals nationally face ongoing scrutiny for their billing and pricing practices, with new rules this year requiring hospitals to publish prices they have previously negotiated in secret with insurance companies. The Trump administration policy sought to boost transparency for consumers, but many hospitals haven’t complied. According to Turquoise Health Co., a startup working with the newly public pricing data, Ballad hospitals have generally complied with the new transparency regulations.

Hospitals can sell unpaid bills to debt buyers in the secondary debt market, where RIP Medical Debt typically buys portfolios for pennies on the dollar. Terms of the deal with Ballad weren’t disclosed.

RIP Medical Debt is seeking to strike more direct hospital deals, Ms. Sesso said, allowing the charity to provide debt relief more quickly.

**“Often you’ll see, “You might be eligible for**

Hospital officials say some patients who would qualify for financial aid never apply. Ballad executives said others don’t complete applications, which provide hospitals with patient data needed by financial auditors to

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write off debt as charity.

Ballad hospitals reported about \$49.6 million of outstanding debt from patients who likely qualify for financial aid, but who got bills instead, according to its most-recent Internal Revenue Service filings. Ballad wrote off \$37.7 million for patients who qualified for financial aid in the same year.

Ballad said its financial counselors notify patients of financial-aid options, which are also posted on its website and on signs in its buildings. Financial counselors also help patients collect tax and bank records for its application, which requires two years of tax returns, recent pay stubs and disclosure of monthly household expenses and assets.

“We do try to take that burden off those patients,” said Shana Tate, a senior vice president for Ensemble Health Partners, a contractor that handles billing for Ballad.

Federal requirements for nonprofit hospitals to provide financial assistance and inform patients about it are limited. Nonprofits have freedom to set eligibility as they choose, and can also create their own process and forms, said Jenifer Bosco, an attorney at the National Consumer Law Center. They are supposed to take steps to alert patients, including making their policies widely available on their websites, Ms. Bosco said. State rules for nonprofit hospital financial aid vary.

Hospitals increasingly rely on third-party data—where patients live; credit-rating reports; enrollment in public programs—as an alternative to applications to automatically enroll patients for financial aid, said Keith Hearle, president of Verité Healthcare Consulting LLC, which advises nonprofit hospitals. “It can be one data point,” said Mr. Hearle, who is also an adviser to RIP Medical Debt.

Alan Levine, Ballad’s chief executive, said the system made changes to expand its financial aid since the 2018 merger that created Ballad. Federal antitrust regulators opposed the deal, but it went through under Virginia and Tennessee laws, with regulatory oversight of operations, including financial aid.





State regulators require Ballad to spend more than it did before the merger on free medical care, discounts for low-income patients and losses for patients with Medicaid, the safety-net insurance that typically doesn't pay enough to cover costs. Ballad fell short in 2020, with a drop-off in demand from the pandemic and expansion of Medicaid in Virginia, state records show.

It has faced public criticism for its use of lawsuits to collect medical debt. Ballad turns to courts because it needs revenue from patients who are deemed able to pay, said Anthony Keck, the system's chief population health officer. That helps offset losses from uninsured or Medicaid patients.

Ballad in 2018 expanded eligibility for free care to patients with income at or below 225% of the federal poverty line, or yearly income of \$28,980 for one person, Mr. Levine said. That's up from the prior cutoff, which was 200% of the federal poverty line, or an annual income of \$25,760.

Those who make too much but earn less than 450%, or \$57,960, can get discounts, he said.

Late last year, Ballad also began screening patients without a complete application for financial aid, its executives said. Ballad first asks patients to apply for financial aid; it bills those without completed applications. New screening is applied before Ballad sends unpaid bills to collection agencies.

That will reduce the type of lingering debt that Ballad agreed to sell to RIP Medical Debt, Mr. Levine said. For others, the agreement with RIP Medical Debt will erase prior bills. "We're wiping the slate clean," he said.

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