

The Legality of Collection Fees

Not many topics in the collection industry are as controversial as the pressure placed upon agencies to not only collect the outstanding balances on debts in default, but also to recover fees and costs incidental to the collection activity.

What many creditors/clients might not know is that the collection industry is held accountable to the Fair Debt Collection Practices Act (FDCPA) and section 808(1) of the FDCPA specifically addresses an agency's ability to recover such fees. This section states:

"A debt collector may not use unfair or unconscionable means to collect or attempt to collect any debt. Without limiting the general application of the foregoing, the following conduct is a violation of this section: (1) The collection of any amount (including any interest, fee, charge, or expense incidental to the principal obligation) unless such amount is expressly authorized by the agreement creating the debt or permitted by law."

While most of HCI clients do not add fees on to their outstanding balances, we do have some clients that request "collection fees" be added to the balance. In their defense, these clients attempt to follow the law as stated in the FDCPA by having their patients sign a financial agreement or contract that states something along the lines

of, "...reasonable collection fees and costs...". However, in years past, it's been determined by case law that such terminology is still a violation of the law. In making their ruling, the court focused on the operative definition of the word "expressly" as used in the FDCPA section 808(1). In the opinion of the court, the contract provision which authorized the creditor to add "reasonable collection fees" to the total amount due to the creditor was vague.

In recent years, there have been a significant increase in litigation against agencies and creditors alike, for the illegal addition of collection fees or costs. Under the advisement and consultation of our attorney, we have no choice but to take a hard stance against allowing our clients to add fees to their patients' account balances unless the fees are "expressly" stated in an agreement before services are rendered.

At HCI, we appreciate those clients that have been understanding and have been encouraged to make the proper changes to their agreements or have decided to cease adding on fees altogether. The management team and employees at HCI are dedicated to following the laws that govern our agencies and we take our profession very seriously. For us, ethics and integrity isn't just something we print on our marketing materials! Questions? Call your liaison!

Partnerships & Expectations

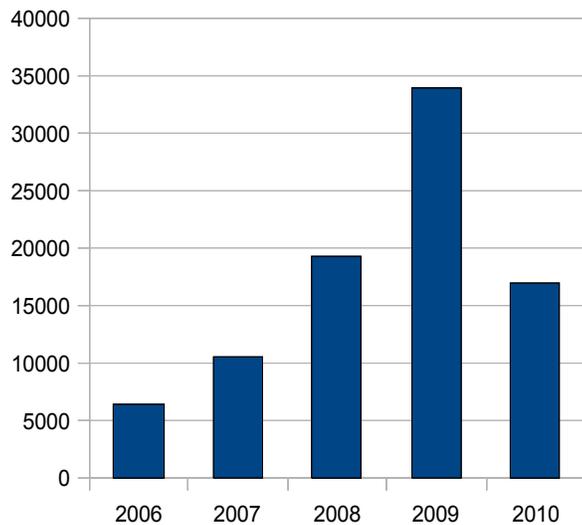
Achieving a high collection recovery in the current economic downturn has proven to be challenging. Debt collections has always been a difficult task, but when you add in all the variables that come with a poor economy, such as increasing unemployment and bankruptcies, being a debt collector has never been harder. While all agencies and providers are in the same situation, the ones that will succeed are the ones that can figure out a way to become partners with their clients versus having a strictly client/vendor relationship.

In her article, "Improving Collection Partnerships" (Pulse, June 2010), Emily Grace states "Maintaining a trusted partnership with a collection agency can offer a cost effective way for providers to manage receivables while focusing on providing quality patient care. To create this trusted partnership, a fundamental understanding is needed of each other's business operations."

At HCI, we strive to maintain open and clear communications with our clients. Two examples would be our quarterly newsletter and your client liaison (sales representative). Clear communications and setting expectations are vital to a successful partnership. Sometimes, expectations may need to be re-visited when new variables, such as the economic downturn, present themselves.

Emily also stated, "With the implications of the new health reform still largely unknown, it will be critical for collection agencies and providers to maintain this partnership for the viability of both organizations." If you would like to strengthen our partnership and discuss any topics or expectations, we would highly encourage you to contact your liaison and schedule a meeting or phone call.

Arizona Bankruptcies - Statewide Totals Annually



Source: U.S. Bankruptcy Court, District of Arizona

2006 - 6,479

2009 - 33,960

2010 - 17,047 through May

Collector's Pledge (Taken by all HCI employees)

I believe every person has worth as an individual.

I believe every person should be treated with dignity and respect.

I will make it my personal responsibility to help consumers find ways to pay their just debts.

I will be professional and ethical.

I commit to honoring this pledge.

HCI Supports the Healthcare Industry.



For future events call us!!!

Past...

2010 HFMA ANI Conference - June 20-23rd, 2010

Location: Las Vegas, NV.

Attendees: Dave Chohon, Christian Lehr, and Paul Peach

Future...

HFMA 2010 Fall Conference - September 15-17th, 2010

Location: Ritz Carlton, Dove Mountain - Tucson, AZ.

Attendees: Joe Spiek, Dave Chohon & Christian Lehr

Type of Sponsorship: Bronze Sponsor

Need help with Insurance Claims? We can help!!!!

At HCI, an experienced claims management department is dedicated to resolving unpaid, denied and even unbilled claims with all insurance companies. Outsourcing your unpaid claims to HCI can save on time and labor and help increase your rate of recovery from third-party payors. Examples of customized HCI services which can help minimize outstanding claims include:

- **Eligibility verification**
- **Insurance claim billing/rebilling**



- **Insurance appeal management**
- **Insurance claim follow-up**
- **Secondary insurance claim filing**
- **Section 1011 claims processing**

HCI is currently providing these type of services to several clients with great success! Please contact your sales representative to learn more about these value added services from HCI.