



FIFTH EDITION

CASES in  
**HEALTHCARE**  
FINANCE

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# BAYVIEW SURGERY CENTER

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## PRICING/BILLING OF SURGICAL SERVICES

JOYCE GRIFFIN IS an accountant who is also an avid tennis player. One fall afternoon, after an inspiring win at the tennis club, she noticed a sharp pain in her knee. The diagnosis was a torn tendon, which could be easily corrected by arthroscopic surgery. After consultation with an orthopedic surgeon whom she knew from the club, Joyce asked the physician to schedule the surgery for the following week at Bayview Surgery Center (the Center), a local ambulatory surgery center.

Being an accountant and detail minded, Joyce called the Center as soon as the surgery was scheduled to provide the required insurance information and to ascertain the amount of the charge. The patient accounts clerk at the Center quoted a charge of \$1,500 for the surgery and told Joyce to bring a check for \$300 the day of the surgery to cover the 20 percent copayment called for by her health insurance policy. Joyce paid the \$300, and, fortunately, the surgery was a resounding success. In fact, Joyce was extremely pleased with the medical care provided by both the Center and the surgeon.

The problems began the following week when Joyce received a copy of the bill that was submitted to her insurance company. Her eyes almost popped out when she read the total—\$2,657, which should have required a copayment of \$531. Equally strange was that the insurance claim form showed no sign of her \$300 copayment; the “Amount Paid” space had a zero. Confused by the inconsistencies between what she had been told earlier and the claims form, she confronted the Center’s business manager for an explanation. The best answer she could get was, “This is just the way we do it. Everybody does it this way.”

There are two ways of looking at this dual pricing of services. First, perhaps the Center is trying to give the patients—the “little guys”—a break; we might call this the “Robin Hood theory” of billing. Second, the Center might be trying to increase business by quoting a lower price to patients, and hence charging a lower copayment, but making up for the lower copayment by charging the insurance company more.

Neither of these possible explanations was very satisfying to Joyce, so she informed her insurance company and asked what it planned to do about the Center’s pricing inconsistencies. But much to her shock and disappointment, her insurance company did not seem to care. Even worse, the letter she received contained these sentences: “We don’t print money; we handle money. Do not worry about us overpaying for services because you, the consumer, through your employer, are ultimately paying for this.”

What do you think about quoting one price for patients and another for insurers? Does this case present an ethical issue? If so, to which party (or parties)? If you could act as the ultimate authority in this situation, what would you do?