

Sorting a wro

Company helps hospitals collect unpaid bills from third-party sources

By Dave Dreeszen
Journal business editor

SIoux CENTER, Iowa — After joining a large Nashville, Tenn. law firm in the mid-1980s, Burns McFarland was assigned to represent the business office at Vanderbilt University Medical Center.

In his first case, he tried unsuccessfully to collect a \$75,000 medical bill from a patient injured in a car accident. The patient, who had no health insurance, and his attorney kept the entire \$200,000 settlement from the liability insurance carrier.

"I said, 'If you pay this medical bill, I'll still have enough money to divide between yourselves,'" McFarland said in his Southern drawl, recalling his phone conversation with the attorney. "He said, 'I'm not going to pay that medical bill. I'm not going to do it because I don't have to.'"

The attorney then hung up, and never returned subsequent repeated calls from McFarland.

"I guess he did me a favor," McFarland said. "That lit a fire in me. I didn't think that was right."

Through later research, McFarland discovered hospitals nationwide were collecting little, if any, money in such third-party trauma cases, and had little legal recourse to do anything about it.

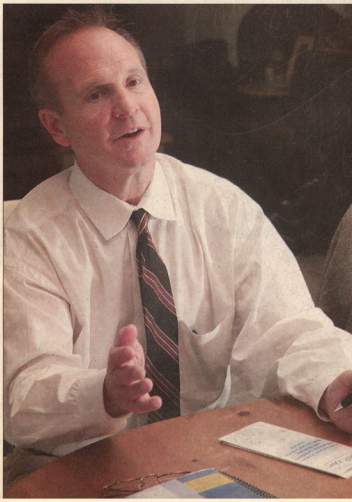
"I found there was really no true solutions to that unique problem," he said.

That inspired McFarland in 1995 to form HealthOne, a Jackson, Miss.-based legal consulting firm. Using copyrighted documents he provided, the company has helped health care providers recover millions of dollars that otherwise would have gone unpaid.

HealthOne, which does business with five hospitals in the South, recently expanded to the Midwest, opening an office in Sioux Falls. McFarland, a native Mississippian, commutes to that office from Sioux Center, Iowa, where he moved about a 1 1/2 years ago after marrying his wife, Robin, a Sioux Center native.

Courting hospitals

McFarland, who holds the CEO title with a more optimistic about signing up clients in the tri-state region. So far, he has met with a handful of



HealthOne CEO and founder Burns McFarland, pictured in his Sioux Center, Iowa, home,

discusses the legal consulting firm that he founded in 1995. (Staff photo by Jim Lee)

hospitals administrators, including leaders at Sioux Falls-based Avera McKenna Hospital & University Health Center. He hopes to make presentations to other area health care providers, including both Sioux City hospitals.

The CEO touts HealthOne's past record of success. For instance, the University of Mississippi Medical Center, home to the state's teaching hospital and only Level 1 trauma unit, saved \$3 million last year through HealthOne's legal strategies.

"We find when there is money on the table our success rate is very high —

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the bills also increases reliance on the government-funded Medicare and Medicaid programs, which insures the elderly and low-income, respectively.

Promise to pay

Self-pay patients admitted to a hospital, as the result of accident, generally sign forms agreeing to pay their bills. Liability insurance carriers also typically carry earmark funds for such expenses. But McFarland said liability settlements typically are placed in the hands of the patient's attorneys, whose primary interest is pay their clients and cover their own legal fees.

"Sometimes they pay the hospitals a little bit. A lot of times they don't pay them anything, and the hospital gets left with nothing," McFarland said.

After learning about the practice in the 1980s, he became obsessed with finding a solution to the legal loophole.

"I was a Sixties-era member of working nights and weekends, he developed a set of legal documents and procedures. His father, then, also a Mississippi attorney, then convinced him to obtain copyright protection for his work."

"My dad asked me, 'If you do this and help the hospitals, how's that going to help you pay your bills son?'" McFarland recalled.

With HealthOne's unique system, a patient's claim for damages against a third-party responsible, like a liability insurance carrier, are assigned to the hospital. That status allows HealthOne to deal directly with an insurer, allowing the hospital to recover funds as a priority creditor and avoid long delays typically associated with such litigation.

For its services, HealthOne collects a contingency fee — normally 25 percent of what dollars are recovered. On a \$200,000 bill, for example, the hospital would receive \$15,000 and HealthOne would keep \$5,000. That's considerably more than the 20 percent, or \$4,000, the hospital likely would collect by filing a Medicaid claim, or little to nothing from a self-pay or self-insured patient.

HealthOne also assists clients in complying with the so-called "payer of last resort" provisions in Medicaid. The federal government provision requires providers to make a detailed effort to obtain private dollars before filing claims with the government program. If HealthOne's investigation reveals no vi-

able third-party exists to pay the bill, the company provides a hospital with information and documentation to file a Medicare claim far in advance of the normal 120-day waiting period. That service is provided free of charge.

National endorsement

HealthOne's growing role in the health care industry has garnered some national attention. In 1997, the Cato Institute, a leading think tank based in Washington, D.C., released a study that gave a glowing review of HealthOne's efforts.

"There are often small changes that can have a significant impact on health care costs," the report said. "Changing the way hospitals and courts treat third-party liability cases is one of these small changes that can have big results."

HealthOne employs about 30 people at its home office in Jackson and a satellite office in Nashville. In Sioux Falls, HealthOne shares office space with Hagan Benefits Inc. at 1741 S. Cleveland Ave., Suite 200. Hagan Benefits, which primarily deals with government liability insurance, national association insurance and 401 (k) record keeping, is owned by Mike Hagan, who has 25 years of experience in the field. HealthOne is marketing and introducing HealthOne's services to the Midwest.

McFarland, who splits his time between the Jackson and Sioux Falls offices, has a Sixties-era member of work — Sioux Center resident Chad Hoekstra, HealthOne's new director of research and development. Hoekstra, who earned a degree from Dordt College last spring, is a quadruple leg who has been confined to a wheelchair since breaking his neck while playing on a dirt pile at age 5.

Hoekstra lives with his parents, The Rev. Cliff and Linda Hoekstra, just down the block from McFarland's Sioux Center home. A devotee of Christianity, McFarland said he believes God led him to interview Chad for a job.

"He's just an incredible young man," McFarland said.

HealthOne said HealthOne invites its employees to bring their Bibles to work and to pray for a solution to this serious problem, and he gave it to me," he said.

The CEO said Christian believers have shaped the business since its beginning. He credits God for helping him to develop the idea that now assist hospitals in recovering what they are entitled to.

"I prayed for a solution to this serious problem, and he gave it to me," he said.

For more on HealthOne, log on to www.health-one.net or call the company's Sioux Falls office at (605) 336-3400.

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