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A Claim to An Estate

A CLAIM TO AN ESTATE

by Susan Hart Kavanagh, President of Kavanagh Solutions ~ *March, 2004*

The passing of a loved one is a tragic blow to any family and the punch can be exacerbated by the depletion of the estate by what is, in many cases, unnecessary medical claim payments. In the past, outstanding medical bills were not considered to be a major liability for estates. However, the financial impact of this liability in estate matters is changing dramatically due to:

- Gaps in coverage, higher deductibles and coinsurance policy limits
- Hospitals and other providers are negotiating higher fees and aggressively pursuing balance bill collections
- Medical cost inflation
- Reimbursement issues
- Prescription drug cost increases
- Aging baby boomers having more medical problems

Currently, there are 33 million Americans over the age of 65. According to the U.S. Census Bureau, by 2035 some 70 million people, of whom 60 million will be "elder boomers", will be age 65 or older. Last year alone, approximately 76 million Americans were age 50 or older. These are astounding statistics when one adds in the fact that health costs have risen at more than twice the rate of inflation for the last three years. In 1995, prescription drug costs alone accounted for 10 percent of the healthcare premium dollar. By 2002, drugs are expected to consume 20 percent of the premium dollar. According to a survey by the William A. Mercer Inc. Consulting firm, 57 percent of employers plan to raise employees' premiums, deductibles, co- payments and other fees in 2001. This is up from 30 percent in 2000. In addition, some employers are reducing benefits to retirees. In 2000, the percentage of large employers offering health coverage to retirees too young for Medicare dropped from 35 percent to 31 percent. The impact of these changes will be felt by every one of us.

Family members are often ill-equipped to review the reams of provider bills and insurance company explanation of benefits (EOBs) forms to determine if billing errors exist or if insurance payments made to providers are in line with policy guidelines. These issues are left for the Attorney representing the estate to wade through and, depending on the situation, it can be a daunting task. From legal and financial perspectives, the parties to an estate will have much more at stake as outstanding medical claims partially or completely deplete estate assets. Unfortunately, trends in healthcare will no doubt produce increasingly negative financial outcomes in these matters.

What can be done for your clients to conserve estate assets:

- Be sure your clients are adequately insured
- Recommend that a professional review bills/payments as they are incurred (especially with acute or chronically ill patients)

- Payments to providers should only be made after medical bill balances are deemed appropriate and are allowable according to HCFA guidelines and/or insurance company-negotiated contracts
- Family members should keep bills and records in chronological order
- Family members should be encouraged to keep notes about care rendered to the decedent and possible discrepancies in billing
- Acquire expertise in insurance and healthcare industry matters

Being aware of these emerging trends in healthcare can minimize the damage done to an estate's assets while also protecting beneficiaries' interests.

Susan Hart Kavanagh is founder and President of Kavanagh Solutions located in Newtown, Pa., a consulting firm specializing in resolution of medical and health insurance problems. Kavanagh Solutions focuses on the preservation of assets by reducing or abating the financial impact of outstanding medical claims, especially in Estate situations. She can be reached at (215) 579 2220.

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Inflation calculations are based upon current economic statistics and estimates for the Philadelphia area.