Class Action Lawsuits Target Medical Collections

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Several recent class action lawsuits filed against some of West Michigan's largest medical providers, collection agencies, and law firms may have a dramatic impact on the collection of unpaid medical bills and the collection industry. The facts in the cases are similar: a medical patient incurs several medical bills, such as a hospital bill, doctors' bills, etc. The bills are submitted to insurance, which pays most but not all of the bills. The unpaid balances of the bills are relatively small. The medical providers are not paid by the patient, and the accounts are turned over to a collection agency. The collection agency is not successful in collecting the bills, and a law firm files a lawsuit to collect the bills.

Typically, the smaller bills are assigned to the creditor with the largest unpaid bill, usually the hospital, and suit is filed only in the name of the hospital. Information about the smaller accounts is included in the collection lawsuit, but the only creditor filing the lawsuit is the hospital.

The plaintiffs in the class action lawsuits that have been filed claim that this method of filing collection lawsuits for unpaid medical bills violates the Fair Debt Collection Practices Act ("FDCPA") and similar Michigan laws. The FDCPA is a federal law designed to protect consumers from abusive debt collectors and unfair collection practices.

Plaintiffs in the class action lawsuits claim that the FDCPA is violated because the assignments from the smaller creditors to the hospital are not real or are done only for the purpose of allowing the collection agency to file one collection lawsuit against the patient, rather than filing a separate lawsuit for each of the medical providers. The plaintiffs claim that this practice is misleading, deceptive, and unfair.

The lawsuits also claim that the collection agencies committed the unauthorized practice of law, by doing things that only lawyers should do, such as deciding how the collection lawsuit is handled and telling the attorney and medical providers what to do.

The lawsuits are class action lawsuits, and the plaintiffs have asked the courts to bring into the cases all other persons who were sued in collection cases with similar account assignments. The plaintiffs are asking for treble damages and attorney fees.
The cases are relatively new so the courts have not decided whether the plaintiffs’ claims have validity. However, regardless of how the cases are decided or whether or not they are settled, it is likely that the filing of these class action lawsuits will have a significant impact on the collection industry, including attorneys, collection agencies, and large medical providers such as hospitals which use collection agencies. Since damages in class action FDCPA cases are potentially very large, medical providers, collection agencies, and attorneys are likely to change how they file suits to collect medical bills, rather than be forced to defend similar class action lawsuits in the future.