

Liver Transplant Case Study

By David Belk MD

How much would a liver transplant cost a person who has Medicare and no other health insurance?

I often tell anyone who receives Medicare that they don't need to purchase a supplemental plan because Medicare, by itself, provides adequate medical coverage for nearly everyone. Whenever I make this recommendation, though, I always get asked "what if I have a catastrophic illness? How much would it cost me?"

So here I intend to answer that question by presenting one of the most "catastrophically" expensive medical cases I've ever seen. In this section I will itemize all of the billing charges and payments for a Medicare patient who received chemotherapy, radiofrequency ablation therapy, a liver transplant and two subsequent hospitalizations for complications of that transplant over a two year period of time.

A table itemizing all 330 billable services this person received as well as the charges and payments for those services in 2016 and 2017 is here:

<http://truecostofhealthcare.org/liver-transplant-billing/>

If this isn't a good example of catastrophically expensive case, I can't imagine what is.

The Case

My patient was diagnosed with liver cancer in December 2015. Fortunately for her, the cancer had not spread anywhere so it was potentially curable.

Over the next two years (2016 & 2017) my patient was treated chemotherapy, radiofrequency ablation therapy and a liver transplant. In addition, she had a complication shortly after her transplant that required her to be re-hospitalized twice (for a total of 42 days in the hospital). She also needed extensive outpatient monitoring of her cancer prior to the transplant as well as follow-ups afterward to monitor her new liver.

While all of this was going on, she also needed 61 sessions of psychotherapy for an unrelated emotional trauma she suffered and 16 sessions of physical therapy for an injury that was, again, unrelated to either her cancer or the transplant she received.

That's a lot of medical care. In fact, it's probably far more medical care than most people will ever receive in their entire life.

Since 2017 (the year she received the transplant) she's been fine. She's required very little medical care outside of some routine tests to monitor her new liver and she's only taking two medications now—one for her blood pressure and the other to prevent the rejection of her new liver. In other words, she's doing quite well now.

So, how much did all of this cost?

As with everything in medical care here in the U.S., the billing charges for her care were far greater than the total paid for all of those services. So, first I'll break it down for each year:

2016

The total amount billed for all 114 medical services she received in 2016 was \$176,519

That sounds like a lot of money, because it is. Now, before you faint at the thought of that amount, remember, Medicare doesn't approve of most of the amount they're charged for any medical care. In fact, the total amount Medicare approved for all of the medical care she received in 2016 was only \$29,479 or about 17 percent of the total billed for all of those services.

Of that nearly \$30,000 in approved payments in 2016, Medicare paid \$24,915 leaving her with, potentially, \$4,563 in medical expenses if she only had Medicare for medical coverage.

2017

In 2017, she got her liver transplant so her medical care got even more expensive.

The total amount billed for all 216 medical services she received in 2017 (including her three hospitalizations) was \$900,744

Again, that certainly sounds like a lot of money but, once again, Medicare only approved of about 17 percent of these charges, or a total of \$150,723.

Of that more than \$150,000 in approved payments in 2017, Medicare paid \$139,806 leaving her with, potentially, \$10,917 in medical expenses if she only had Medicare for medical coverage.

Grand Total

If you total all that up it comes to:

Total Billing charges: **\$1,077,263**

Total Medicare approved: **\$180,201**

Total deductibles and co-insurances: **\$15,480**

For both years combined, the total she would have owed if she only had Medicare for coverage would have been just over \$15,000 for all of the medical care she received!

What About the 20%?

I'm sure many of you are already thinking "hold on! Even if Medicare only approved of \$180,000 in payments, shouldn't she have been responsible for 20% of that, or about \$36,000? Why were the deductibles and co-insurances less than half that amount?"

What people need to understand about Medicare coverage is that the 20% they keep hearing about applies only to outpatient medical services. Hospitalizations are covered in a totally different way.

If you have Medicare and you are hospitalized, you only owe the hospital a single deductible for up to 60 days of hospitalization. In 2017, that deductible was \$1,316.

That means that, although the total bill for her first hospitalization (for the transplant itself) was \$287,536, of which Medicare paid \$47,406, her deductible was only \$1,316 and not a penny more!

What's more, her two subsequent hospitalizations occurred during the same benefit period so, if she only had Medicare, she still wouldn't have owed the hospital any more money for those hospitalizations.

In other words, the total she was potentially responsible for was \$1,316 for *all three* of her hospitalizations that occurred between June 27 and October 12, 2017. The hospital billed Medicare a total of more than \$700 thousand for those three hospitalizations and Medicare approved nearly \$104 thousand of that. But her deductible was a single amount of only \$1,316, and *not a penny more!*

Also, most blood tests and preventive services (like mammograms) are covered at 100% so there is no co-insurance for those services.

Her Supplemental Policy

I said earlier that the most this patient would potentially have had to pay for all of this medical care was \$15,480, and that's a lot of money for most people. In her case, she didn't have to pay any of that (directly) because she did have a Supplemental policy that covered all of her deductibles and co-insurances.

Was this a good deal for her?

Well, it might seem like it was, but she and her husband pay a combined total of \$359 a month for that extra coverage, and that amount goes up each year. That amounts to just over \$4,300 a year between her and her husband, or about the cost of a new liver for one of them about every four years.

I think it's safe to say that most people will never need a new liver, even once. What's more, this woman needed more medical care in those two years than most people will ever need in a lifetime.

This brings me to the real reason I'm presenting this case. Even though medical costs can still be expensive for a Medicare patient, they're not nearly as expensive as most people might think. This woman's case, arguably, approaches the maximum amount any medical care might cost someone who has Medicare and it still wasn't an amount that would bankrupt most people.

You would expect any type of insurance to more than pay for itself in a catastrophic situation. Yet, in this catastrophic situation, this person's supplemental policy only barely paid for itself, and then only during the worst two years. Her policy doesn't appear to be worth having at anywhere near the price she pays for it.

And that's why I always advise people not to purchase these policies.

<https://www.medicare.gov/coverage/inpatient-hospital-care>

<https://www.medicare.gov/coverage/clinical-laboratory-tests>

<https://www.medicare.gov/coverage/preventive-screening-services>

<http://truecostofhealthcare.org/wp-content/uploads/2019/04/LMTransplant.pdf>