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## Billing company tacking on markups of up to 268 percent

Company demands payment for police, fire crews' response times.

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By Josh Sweigart, Staff Writer

Updated 6:45 PM Saturday, December 10, 2011

When 84-year-old Olga Knighton paid a \$208.73 bill she received for Sugarcreek Twp. Fire Department responding to an auto accident she was in, she assumed her money went to the township.

But only \$84.66 went to the township, records show. The majority went to the billing company, Springfield-based Cost Recovery Corp.

A Dayton Daily News investigation found this billing company, hired by several local cities and townships to bill drivers for sending police and fire crews to non-injury accidents, has been tacking on markups of up to 268 percent on top of what it's collecting for local communities.

The city of Springfield last week canceled its contract with the company after a Daily News investigation revealed the company was charging fees up to twice what its contract with the city allowed.

Vandalia officials say they are also reviewing their policies after the Daily News found Cost Recovery billing more than its contract allows. Records show the company has also billed Vandalia residents' insurance companies for some accident response, despite contract language that states only non-residents will be charged.

The Daily News investigation found Cost Recovery Corp's fees took up more than a quarter of the bill, and sometimes more than half.

"It's not fair to residents or non-residents to charge that (high of an) amount. I'm going to ask some questions," said

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Franklin Mayor Dennis Centers. “That’s like taking money out of the citizens’ pocket and putting it into the pocket of the middleman.”

These bills are sent to the insurance companies of those deemed at-fault in non-injury accidents. In some communities, drivers are told they’re personally responsible for the bills if they are not residents of that community and their insurance company won’t pay.

Cost Recovery Corp. President Regina Moore-Jones said in a written statement to the Daily News that there had been miscommunications with some local officials but that after an internal review, “CRC is 100 percent in compliance with our contracts.”

Moore-Jones wrote that the process of doing such billing is “laborious and costly,” largely because of increasing push-back from insurance companies.

But the Daily News found the cost of this battle frequently is borne by drivers.

Knighton lives in Oakwood and her insurance company, State Farm, wouldn’t pay the bill she received from Sugarcreek Twp. She felt she had to pay, and said she did not know local communities do not take action against drivers who refuse.

Knighton was surprised to learn the township that sent crews to her accident received less than half of her money.

“I don’t think that’s fair,” she said. “I thought it was going to the township.”

Moore-Jones said there was a mistake made on Knighton’s bill, and that the company will refund her \$100.

The Daily News reported last month that several local communities had adopted the controversial billing practice in recent years in response to declining tax revenues. But many reported amounts raised by the practice have been declining as insurance companies increasingly refused to pay.

“CRC’s wish is that no insured driver would ever be billed and that the insurance industry as a whole would recognize their moral and financial responsibility to their policyholders and the communities in which provide the service,” Moore-Jones wrote.

#### Vandalia billing errors

Vandalia officials say residents of their city and their insurance providers are not to be charged for such services, but city records indicate 17 instances where it appears insurance companies of residents were charged.

After being contacted by the Daily News, Vandalia officials reviewed their records and also say they found five instances where Cost Recovery Corp. charged more than the 29 percent overhead permitted in the city’s contract. Two of those were city residents, according to city records.

“In those five instances the most egregious overcharge was 2 percent,” said city spokesman Rich Hopkins.

“The contract is pretty specific,” he said. “Even if it’s a little



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bit if it's outside the boundaries of the contract it's something we need to address."

Moore-Jones said there was an error in her system that indicated Vandalia residents' insurance and it will be fixed.

In these instances, the company's fee is a percentage of the total bill, not of the amount collected. This means the markup has at times amounted to a nearly 41 percent increase from what the city is trying to recover.

Tipp City resident Kenny Smith, 27, has been making \$35 monthly payments on his \$4,083 bill from Cost Recovery Corp. since his accident in Vandalia in September. The company's portion of his bill was \$997, records show.

The payment plan was set up after Smith sent a letter to the city saying, "It will be difficult for me to pay any amount due to the amount of hospital bills I am currently paying on which were also a result of the accident."

A crash on Bridgewater Road sent his truck down Taylorsville Dam. Smith has insurance but his provider refused to pay. Smith said he understands repaying the fire department, but had no idea how much he was paying CRC.

"If I'm responsible for the firefighters and everything coming out there, I'm responsible for it," he said. "I was under the impression I was just paying the fire department to cover their expenses. I don't feel like it's OK I have to pay over \$900 for some company that should have nothing to do with it."

#### Springfield cancels contract

Springfield's resolution authorizing a contract with Cost Recovery Corp. says collection costs are "not to exceed 12 percent of the user fees." But the Daily News found bills including markups of up to 24 percent.

Fire Chief Nick Heimlich reviewed the Daily News' findings and found the company had added a \$75 fee on all bills since July, leading to dozens of drivers and insurance companies being overcharged. At least three of these bills were paid. Moore-Jones said her company was given permission to add this fee by the former fire chief who retired in December 2010. Heimlich said he spoke to the former chief who said the change was discussed, but not approved.

"There was absolutely no illicit intent or business practice," Moore-Jones wrote. "Ceasing this program in the city of Springfield will not only cost the fire department but the innocent hardworking taxpayers of that community as well."

City officials said the program wasn't bringing in enough money to justify the staff time spent doing it anyway. The company billed \$201,648 for 291 calls in 2010, and received \$18,574 from insurance companies and \$1,472 from drivers.

#### Officials surprised at findings

Officials from some local communities told the Daily News they did not know what the company charges. Only the contracts between the company and Vandalia and Springfield limited what CRC can charge. It's not spelled out in other

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local contracts. The money is also sent to the billing company, which forwards to local governments their shares.

“We just know what we receive,” said Miami Twp. Fire Chief Matthew Queen. “If there’s more on top of that, I don’t know what their fee structure is.”

This is troubling to some residents, such as Ray Fisher of Montgomery County’s Washington Twp., whose daughter received a bill for an accident in Sugarcreek Twp.

“When you ask a third party act on your behalf, that company becomes the face of your government,” Fisher said. “If they’re not paying attention to the way stuff’s being done, they need to convince themselves that things are being done ethically.”

Some local leaders meanwhile say they were led to believe the fee was 10 percent.

In a Nov. 8 email to numerous local fire chiefs and city leaders across Ohio — obtained by the Daily News via a public records request — Moore-Jones wrote that her billing fee “aggregate is 10 percent or less.”

Fairborn Fire Chief Mike Riley wrote in a 2009 memo requesting the contract that, “a 10 percent administrative fee is included by Cost Recovery Corporation in the insurance claim.”

A 10 percent markup for the largest bill obtained by the Daily News would have been \$80. The billed markup was \$328.

For three bills obtained by the Daily News, the markup ranges from 40 to 43 percent.

“We’re meeting with them (Cost Recovery Corp.) to hear their accounting procedures and see how they come to the figures they have,” Riley said this week.

“We were under the understanding it was 10 percent,” said Sugarcreek Twp. Fire Chief Randy Pavlak.

In fact, bills inspected by the Daily News showed the lowest markup on a Sugarcreek Twp. bill was 32 percent.

In the case of one crash in May, Sugarcreek Twp. was told to expect \$41.82 and the insurance company received a bill for \$153.71, a markup of 268 percent.

“We’re going to be exploring this, doing some research and getting to the bottom of it,” said Township Administrator Barry Tiffany. He said his board will take up the issue once new trustees are sworn in January.

Pavlak said “We’re going to revisit this part of our operations with our board of trustees and at that point some decisions will be made,” he said.

Butler Twp. Fire Chief Dan Alig said the fees there — starting at 42 percent — “would seem a little high to me.”

Butler Twp. Police Chief Carl Bush said it’s unclear to him whether the charge is reasonable, and that he is working to get a better explanation from the company.

Company explains billing

Moore-Jones said this week that her fee is 10 percent of the total amount billed, not the amount paid. So if the total billed for a city was \$100,000, her fee would be \$10,000 even if only \$20,000 were actually collected.

This billing practice differs from the more-common practice of EMS billing for ambulance transport.

In most local communities, charges for ambulance response range from 6 to 7 percent. The billing companies collect all of the money and turn it over to the local jurisdictions, then invoice the governments for a percentage of what's collected.

Cost Recovery Corp. tacks its fees on top of what it collects on behalf of the city or township and includes it in the bill sent to drivers and their insurance companies. Checks are to be written payable to the government office that sent the bill. CRC collects those checks, keeps its portion and passes the government's portion along to it.

"CRC has chosen to put our costs on top in order to allow the community to maintain 100 percent of what is collected on their behalf as opposed to taking a percentage from them," Moore-Jones said.

But this also means there is no oversight from the local government.

Moore-Jones said EMS billing companies are able to charge less and can charge a flat percentage of what's collected because their process is more automated and, "because all claims are paid and they know how much they will collect." If insurance companies paid the bills, she said, the process and rates would be more like EMS billing.

Franklin bills residents for house fires

Franklin is unusual in the area in that it bills for response to structure fires.

For motor vehicle accident billing it charges residents and non-residents the same. Both have their insurance company billed, and if the company won't pay, a bill goes to the at-fault driver's home.

Westendorf said the billing company is successful getting insurance companies to pay for response to structure fires because that is covered in homeowner's policies. So the city limited the administrative fee Cost Recovery Corp. can charge for structure fire billing at \$250 per incident.

But auto insurance providers are increasingly arguing their policies don't cover police and fire response, so the cost of billing for auto accident response has grown. The Daily News obtained one bill in which the billing company tacked on a \$358 fee. That's a 39 percent markup from the \$907 it was collecting for the city.

If the insurance company refuses to pay, that bill would be passed along to the driver.

"That has to be borne by somebody the question of whether taxpayers pay for people who are driving recklessly... I don't believe that is the responsibility of Franklin taxpayers to bear that responsibility for that payment and this is a way to help

make that fair,” Westendorf said.  
Staff Writer Ed Richter contributed to this report.

This is the amount of money collected by Fairborn for these services. This does not include the fee for the billing company. Charges are based on 15 minute increments up to a maximum of 90 minutes.

**Time at scene:** 15 min.  
**Engine companies:** \$587  
**Rescue vehicles:** \$577  
**Pumper:** \$467  
**Ladder towers:** \$598  
**HazMat:** \$587  
**Station prep/admin:** \$176  
**Firefighters:** \$10  
**EMTs:** \$12  
**Shift commanders:** \$14  
**Lieutenants, assistant chiefs:** \$16  
**Chief:** \$20  
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