



# **Public Health or Private Wealth?**

## ***Who's Cashing in on St. Luke's Riches?***

*A Report by the Idaho Community Action Network  
June 1999*

# **Public Health or Private Wealth: *Who's Cashing in on St. Luke's Riches?***

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for the Idaho Community Action Network

June 1999

*The fundamental mission of Idaho Community Action Network is to provide a voice for Idahoans committed to progressive social change and to develop the power necessary to create those changes. ICAN works to accomplish our mission by empowering disenfranchised people, developing leadership, and striving to maintain a stable, membership driven funding base, while remaining committed to inclusiveness, the democratic process and non-violent action. ICAN also runs a statewide food program that assists low income families with their monthly food budget.*

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### The Real Price of Charity

What would you do if you were poor, without health insurance and sick? Where would you go? How would you pay for the care you desperately need? Historically, non-profit health care institutions have fulfilled this role by providing charity care, or free care, to those in poverty who find themselves with a medical emergency and no alternatives. This traditional role is reflected in hospital mission statements that clearly articulate a mission to serve the poor. Such mission statements express a clear duty to serve and protect the public's health and well being as opposed to accumulating and hoarding vast quantities of wealth.

Communities reward such institutions by donating generously, providing public subsidies and granting tax relief. In turn, hospitals are expected to work closely with the community they serve, investing in the well being of the locality and returning all profits back to its neighbors.

In Ada County, Idaho the choices of where to turn for help for poor families who are sick and without health insurance are slim. The majority of people in need find their way to St. Luke's Regional Medical Center. They hope that the county's wealthiest non-profit health care institution will provide the necessary care they need, despite their lack of resources to pay. Idaho Community Action Network (ICAN) spoke with numerous low income people who, at one point or another, found themselves in an emergency situation without health insurance or any ability to pay for care and turned to St. Luke's for help. We discovered that the hospital's policy for providing charity care is vague and undefined. Thus, we were prompted to take a deeper look at the hospital's history and practices in providing for the community it serves. Our investigation revealed that St. Luke's appears to:

- Lack any formal screening process for determining who is eligible for charity care, writing off large portions of charitable cases as bad debt;
- offers free care only on a prearranged basis, and generally only when initiated by the patient;

- has no formal charity care policy and has a confusing billing system that is not patient friendly;
- shuttles patients who should be considered for charity into the County Indigency Care Program, thus avoiding providing free care; and,
- spends a meager \$1.5 million yearly on free care<sup>1</sup>, despite \$31 million dollar annual profits<sup>2</sup> and spending almost \$800,000 in annual compensation to the top three executives.<sup>3</sup>

In the process of writing this report, ICAN examined the existing health care needs of low-income, uninsured people in Ada County and St. Luke’s Regional Medical Center’s role in meeting those needs. We believe that St. Luke’s is not meeting its responsibility for giving back and reinvesting in the health of Ada County. We found the hospital to be heavily reliant on the County Indigency Care Program in lieu of following its mission as a charitable non-profit to provide free care to the needy. The County program, which places liens on people’s homes and other property, discourages hospitals, such as St. Luke’s, from investing in the health of low income community members. We believe that St. Luke’s, as a wealthy non-profit medical institution, does not do enough to provide for families in poverty.

ICAN calls upon the hospital to fundamentally change its policies and reinvest its profits in the communities it serves. Specifically, St. Luke’s should dedicate its huge excess wealth to support low income families that need its assistance by:

- creating a clear charity care policy for people up to 200% of the federal poverty level (for a family of three, earning \$2,276/month);<sup>4</sup>
- funding health coverage, including dental and prescription drug coverage, for families up to 200% of poverty level;

<sup>1</sup> Kane, Nancy “Affidavit of Nancy M. Kane” April 16, 1998 page 3

<sup>2</sup> *St. Luke’s Regional Medical Center, Form 990 FYE 9/30/97*

<sup>3</sup> *St. Luke’s Regional Medical Center, Form 990 FYE 9/30/97*

<sup>4</sup> The 1999 Federal Poverty Guidelines have not yet been published. The Poverty Income Guidelines for 1998 are as follows:

<b>Federal Poverty Level</b>	
Size of Family Unit:	Based on Monthly Salary:
1	\$671
2	\$905
3	\$1,138
4	\$1,371

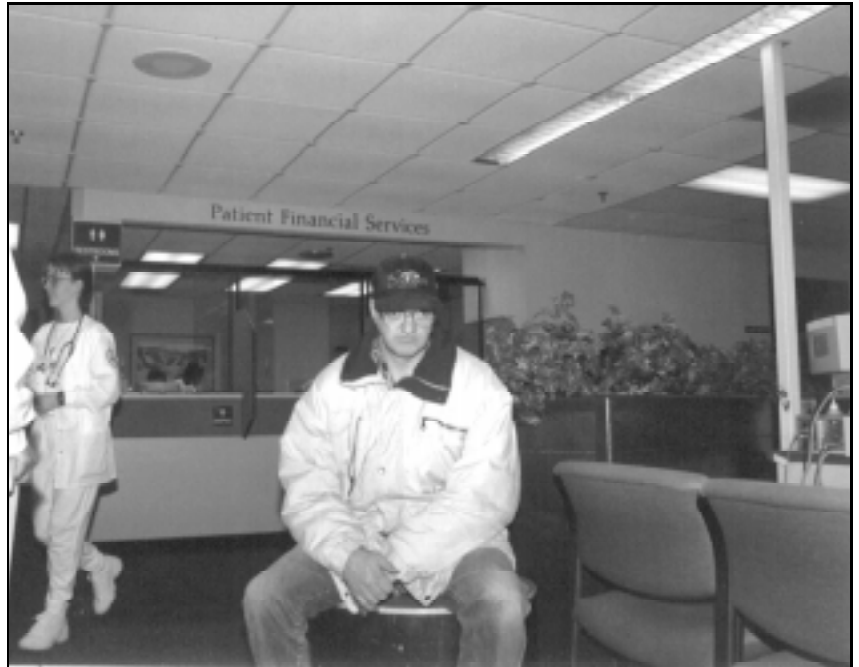
- creating a community board and oversight process for the coverage program;
- committing either 5% of the hospital's gross revenues or its full tax benefit to charity care;
- funding a free health clinic in Garden City, home to many low income Ada County residents;
- debt forgiveness for families up to 200% of the poverty level, who are currently languishing in St. Luke's billing system;

St. Luke's needs to cash in its riches and dedicate its mission of providing health care to those who need it the most in Ada County.

## THE PICTURE OF HEALTH FOR ADA COUNTY'S LOW INCOME FAMILIES

### Who are the People Who Need and Use Free Health Care Services in Ada County?

Like many counties in Idaho, Ada County has significant health needs. Ada is the state's largest county in population, and St. Luke's Regional Medical Center plays an important role in addressing the area's health needs. In 1995, 251,831 people called the County home.<sup>5</sup> Around 8.5%, or 21,414, of the County's residents are at or



below the poverty level.<sup>6</sup> A single person at the federal poverty level brings home a paycheck less than \$671 a month or \$8,052 annually.

However, a recent study released on Idaho's job gap revealed that the federal poverty indicator level is, in reality, exceedingly low compared to what it actually takes in order for a person to earn a "living wage" or make enough money to support all their basic needs. In Idaho, a single person would have to make \$9.22/ hour (or \$19,168 annually-more than twice the federal poverty level) in order to earn a living wage.<sup>7</sup> A family of three would have to make \$14.42 an hour or \$29,995 annually.<sup>8</sup>

<sup>5</sup> *Health Needs Assessment for the State of Idaho* Center for Vital Statistics and Health Policy, Division of Health, Idaho Department of Health and Welfare, July 1996 page 5

<sup>6</sup> *Primary Care Consortium Business Plan*, 1996 Primary Care Consortium, Page 3 In 1995, 8.5% or 21,414 were at or below the poverty level. The poverty level is a measuring tool set by the federal government that is used as a national indicator of poverty, and determines a person's financial eligibility for certain government programs.

<sup>7</sup> Northwest Policy Center and Northwest Federation of Community Organizations *The Northwest Job Gap Study* January 1999

<sup>8</sup> Northwest Policy Center and Northwest Federation of Community Organizations *The Northwest Job Gap Study* January 1999

## **A Single Father's Struggle**

At 45 years old, and a single dad with four children, Chris is struggling to make ends meet. After years of demanding, labor intensive jobs, Chris is now disabled and unable to do the kind of work he is skilled for. He is hoping that the computer classes he is taking through Vocational Rehabilitation will give him a chance at new career and a better future.

"It looks like I am going to finally get Social Security benefits-a lump sum that will help us get out of debt, pay bills and finally get my car fixed. We are barely holding our heads above water here. Because of my disability, it has been very hard to just put food on the table." However, a recent emergency has put Chris and his family's future in jeopardy. "My daughter had an awful case of sinusitis, the worst the doctors' had ever seen. We don't have any health insurance, but she had to go to the emergency room at St. Luke's." Chris has no qualms with the care the hospital gave his daughter Pamela, but when it came time to discuss how he would pay the bill of almost \$4,300, he was told to either go to the Ada County Department of Health and Welfare or to the County Indigency Care Program. "Absolutely no charity care was offered or even mentioned. It was embarrassing to have to go to the County for help."

"The County paid for half the bill, but now I am in even deeper debt because of this money I owe to St. Luke's--plus I have a lien against me. I really have nothing of value for them to take, unless we finally get a little bit of money from Social Security. My family is really afraid the County and St. Luke's will take it away from us. I know one thing, that the hospital has \$80 million in the bank, and they are not even beginning to offer help to families like mine.

The following table details a typical Idaho family of three's budget in order meet all the family's basic needs without resorting to public assistance and providing them with the ability to deal with emergencies and plan ahead. The budget presented assumes that health care is provided by the employer. Even with the majority of this expense paid for, the cost of simply surviving is far above the federal poverty level for a family of three, which is \$1,138/month. If only one adult is working at a minimum wage (\$5.15/hour) job, they will only bring home \$824 a month. Thus, it is easy to see why so many of the working poor chose food on the table over health insurance.



## MONTHLY BUDGET FOR A FAMILY OF THREE (IDAHO)<sup>9</sup>

This budget assumes that employers offer health care to their workers.

Food.....	\$	331	
Housing and Utilities		474	
Transportation.....		378	
Health care*		121	<i>*with employer paying 80% of cost</i>
Child Care .....		414	
Household, Clothing and Personal .....		282	
Savings.....		176	
State and Federal Taxes .....		322	
<b>Gross Monthly Income Needed . . .</b>		<b>\$2,500</b>	

## The Health Insurance Market in Idaho

One of the necessities to personal and family security is health insurance. Most low income families have little or no access to health insurance. For those in poverty in Idaho, there are generally three potential options for obtaining health insurance: Medicaid, employer provided coverage, and buying health insurance independently.

### Medicaid

Medicaid, the federal health care coverage program for poor families, has a stringent standard that excludes the majority of individuals who meet the definition of poverty in Idaho. Medicaid is only available to adults who are between 27--30% of the poverty level or below (depending on family size).<sup>10</sup> In other words, if a single adult earns \$205 or more a month, she or he is ineligible for Medicaid. A family of three, earning more than \$317 monthly is disqualified from Medicaid.

### Employer Based Coverage

The Idaho Department of Labor conducted a fringe benefits survey of employers in the state in 1996.<sup>11</sup> The vast majority of employers in the state are small businesses, employing between one and nineteen people. The study shows only 37.1% of small business owners

<sup>9</sup> Northwest Policy Center and Northwest Federation of Community Organizations *The Northwest Job Gap Study* January 1999, page 24

<sup>10</sup> Telephone conversation between Kathleen Ackley and Patti Campbell, Idaho Department of Welfare, Policy and Operations, November 25, 1998. Pregnant women and children under six are eligible at 133% of the poverty level, children born after 9/30/83, but age six and over are eligible at 100% of the poverty level, and the Children's Health Insurance Program is available through 150% of the poverty level.

<sup>11</sup> Moon, Lee, *Idaho Fringe Benefits Survey 1996* Idaho Department of Labor

offer health insurance. Seventy six point four percent of medium sized employers and 91.8% of large employers offer coverage. However, not all employers provide coverage for spouses and dependents and many require the employee to share in the cost of the insurance premiums. For someone making less than a living wage, this cost sharing can make coverage too expensive to afford-thus leaving working poor families without health care coverage.

### **Individual Market**

For those ineligible for Medicaid and without employer provided health insurance, one of the few remaining options is to buy health care coverage on his or her own. The state of Idaho is mainly served by two private health insurance companies: Blue Cross of Idaho and Regence Blue Shield of Idaho. Buying health insurance in the individual market is expensive: the approximate monthly cost for a family of three is \$223.30, with an annual deductible of \$2,000.<sup>12</sup> This could mean \$4,796 a year in medical expenses. As a result, the cost of insurance can be prohibitive for low income families.

With only the above three options available to Idaho families, it is not difficult to see why about 8,600 Idaho residents below the poverty level are without health insurance.<sup>13</sup>

According to the Job Gap Study, the monthly income needed for a family of three to get by in Idaho is \$2,500.<sup>14</sup> For the working poor, who often have minimum wage jobs, their monthly income is far below this living wage, at a meager \$824.<sup>15</sup> Thus, for people who live in poverty and are ineligible for Medicaid, do not have employer provided insurance, or cannot afford to purchase their own, they often forego health insurance in favor of food, rent and clothing.

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<sup>12</sup> Telephone communication between Kathleen Ackley and Blue Cross of Idaho customer service (which serves Ada County), March 2, 1999. Rate is for Major Medical 2000: family of three, one male and one female adult between ages 30-34, and one child under age 19.

<sup>13</sup> *Primary Care Consortium Business Plan*, 1996 Primary Care Consortium, Page 3. Over 27,000 people are uninsured in Ada County. In 1995, in Ada County, of those below the poverty level, about 39.5% were eligible for Medicaid (8,456). Approximately 13,000 individuals in the county were at or below poverty level, but ineligible for Medicaid. Of this 13,000, it is estimated 4,400 had private insurance, leaving approximately 8,600 uninsured and ineligible for Medicaid.

<sup>14</sup> Northwest Policy Center and Northwest Federation of Community Organizations *The Northwest Job Gap Study* January 1999

<sup>15</sup> The minimum wage in Idaho is \$5.15.

## ST. LUKE'S REGIONAL MEDICAL CENTER

Many Ada County families seek medical care at St. Luke's Medical Center. What happens if a family member has no medical insurance or resources to pay for the care they need? To answer this question, ICAN sought out people who had been to St. Luke's for medical help without insurance or the resources to pay for care by searching Ada County lien records for medical indigency.<sup>16</sup> Of the people ICAN has interviewed, none were offered any form of charity care by St. Luke's, nor did the hospital evaluate their ability to pay their medical bills. Instead, all were sent to the Indigency Care Program to receive County aid. ICAN requests for a copy of St. Luke's formal written charity care policy went unanswered. From a wide assortment of documents and interviews, we have attempted to uncover the hospital's system for providing free care.

### **A Non-profit Hospital's Mission to Provide Charity Care**

Our investigation into St. Luke's charity care policy began with a look at its mission and history in the community, for it is here we find the hospital's obligation to provide free care. St. Luke's was founded by Bishop James Funsten of the Episcopal Church as an Idaho non-profit corporation in 1902.<sup>17</sup> The hospital operated within a community and religious framework for over 70 years. St. Luke's ended its formal affiliation with the Church in 1972 when the hospital was converted to a public trust.<sup>18</sup> St. Luke's is currently headed by a board of twenty directors, each of which hold one non-transferable share that entitles him/her to one vote.<sup>19</sup> St. Luke's owns and operates its 303 bed facility in Boise and several satellite facilities that provide medical care to people from Ada County, southwest Idaho, and eastern Oregon.<sup>20</sup>

As a charitable non-profit, St. Luke's must conduct its business in accordance with the mission and philosophies described and reflected in its articles of incorporation and mission

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<sup>16</sup> ICAN contacted over 100 people who had liens through the County Indigency Care Program.

<sup>17</sup> Edwards, Marcelene "St. Luke's has long history of compassion" *Idaho Statesman*, July 18, 1997, 1A

<sup>18</sup> Jameson, Tracy, St. Luke's Regional Medical Center Public Liaison, personal communication December 10, 1998

<sup>19</sup> Bock, Les "An Idaho County Seeks Property Taxes From Exempt Hospital" *Journal of Taxation of Exempt Organizations*, January/February 1998 vol. 9/no.4, page 164

<sup>20</sup> *Idaho Licensed Hospitals Annual Utilization Report*, 1996 Center For Vital Statistics and Health Policy, Division of Health, Idaho Department of Health and Welfare.

statement. In these and other documents, St. Luke's identifies the provision of charitable services, especially health care to those in need and cannot pay, as its priority. The hospital's mission and operational philosophy state: "[w]e are committed to providing health care to those in need regardless of their ability to pay."<sup>21</sup> Included in this mission is the goal of improving "... the health of the people in our region by providing access to a full range of effective and efficient health care and related services, offered through a regional system. We will continue to fund our operations, our research, and our outreach programs from revenue and contributions while reinvesting resources back into the community (emphasis added)."<sup>22</sup>

### **Over Her Head in Debt**

At age 55, Diane is disabled and over her head in debt. As a diabetic and part time employee of a local Mom and Pop store for five years, Diane's work does not offer health insurance and she is unable to afford health coverage on her own. "Because I am diabetic, nobody will cover me-or the cost is way too high for me to afford. I even tried applying for Medicaid, but they said I made too much money. I sure don't feel rich at \$6/hour-it doesn't even begin to pay my bills."

Diane's story begins in November of 1998 when she fell and broke her hip and found herself at St. Luke's for emergency medical care. Her diabetes put her health in critical condition. "They knew I didn't have any insurance or could afford pay--I told them that right in the emergency room." Diane's bill skyrocketed to over \$14,000.

Due to the accident, Diane now can barely walk and is no longer able to work. She worries over how she will get out of debt from the hospital. "I barely remember being in the hospital, I was so out of it. I have a vague memory of someone asking me how I would pay. No charity care was offered. Instead, they started sending be bill after bill. At one point, I was getting bills daily. I stopped counting or even opening them-there is no way I can pay, so why bother?"

For now, Diane is barely getting by on the generosity of friends and family. "I can't even afford to register my car, so I am left without any means to get anywhere. Since I can't work anymore, I'm finally so poor to be eligible for Medicaid, which I think will keep the hospital off my back for awhile. From what I remember the care was alright, but I feel like St. Luke's has hounded me since I left the hospital. I've been holding a job of one sort or another since I was twelve and when I finally get sick, they want to take it all away!"

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<sup>21</sup> *St. Luke's Regional Medical Center Mission and Operational Philosophy*, May 1997 In the hospital's articles of incorporation, it also states that all of St. Luke's "properties and assets...shall be, and are, irrevocably dedicated to charitable, scientific and educational purposes and no part of the moneys, properties or assets of this corporation, upon dissolution or otherwise, shall inure to the benefit of any private person or individual or any member of this corporation..." (*Articles of Amendment to the Amended and Substituted Articles of Incorporation of St. Luke's Hospital, Ltd.*, page 1)

<sup>22</sup> *St. Luke's Regional Medical Center Mission and Operational Philosophy*, May 1997

## Who Receives Charity Care at St. Luke's?

St. Luke's executives have stated that some free care is available for patients who make arrangements before medical care is provided. Patients who do not receive pre-arranged charity care are accounted for as bad debt and their bills are sent through St. Luke's billing system and in some cases to collections if left unpaid.<sup>23</sup> Bad debt means amounts considered uncollectable from accounts and notes receivable-or bills unpaid. Between 1991 and 1997, St. Luke's incurred \$21,306,000 in bad debt-or an average of \$3.6 million annually.<sup>24</sup>



*Diane Phillips*

During that same time, (1991-1997) the hospital spent only \$6,756,000 on free care.<sup>25</sup> This was an average \$1.1 million per year over six years. This high ratio of bad debt to free care (3 to 1) raises the question of whether the hospital is properly screening patients for charity care. According to St. Luke's vice president of finance, Chuck Pomeroy, "...frequently patients do not know what the end result of their charges are going to be and the hospital doesn't know that they don't have the capacity to pay and we find out that the patient is not able to pay only after we send them a bill..."<sup>26</sup> Mr. Pomeroy's statement suggests that St. Luke's does not have a screening protocol for poor patients, and simply sends them to the County Indigency Care Program, or through their billing and in some instances, to collections, which was confirmed by the people ICAN interviewed. ICAN believes that failing to screen people properly for free care discourages low income people

<sup>23</sup> Transcript, Ada County Board of Equalization, St. Luke's Regional Medical Center Tax Exemption Application, July 9, 1997 page 18

<sup>24</sup> Kane, Nancy "Affidavit of Nancy M. Kane" April 16, 1998, table 1

<sup>25</sup> Ibid

<sup>26</sup> Transcript, Ada County Board of Equalization, St. Luke's Regional Medical Center Tax Exemption Application, July 9, 1997 page 18 On page 28, Mr. Pomeroy states that indeed, a portion of what the hospital considers "bad debt" should have been charity care.

from going to St. Luke's for care. If families know that when they have a medical emergency and go to St. Luke's that they will be sent either to collections or to the County Program where liens are placed on their property, they will be reluctant to seek help at the hospital. This is particularly troubling since the options of where to turn for medical care in Ada County are few.


If St. Luke's is not properly screening patients who are eligible for charity care, what is their protocol for determining who receives free care? As noted earlier, ICAN was not provided a copy of the hospital's charity care policy. Additionally, the people we interviewed and Ada County officials were unable to obtain copies.<sup>27</sup> ICAN reviewed the hospital's definition of charity as described in testimony given by Chuck Pomeroy at the Ada County Board of Equalization hearing on the hospital's application for tax exemption status in July of 1997.

According to Mr. Pomeroy:

Charity is defined as when we can identify the patient does not have the capacity to pay when they present themselves for services.

They have made arrangements in advance to receive free care.

Once...we have sent the bill and tried to collect

		PATIENT NAME DIANE P PHILLIPS	
ADDRESS SERVICE REQUESTED		ACCOUNT NUMBER	DISCHARGE SERVICE DATE 11/13/98
TO PAY BY CREDIT CARD, PLEASE COMPLETE:		CURRENT BALANCE 14,100.71	BILLING DATE 01/18/99
CARD TYPE	EXP. DATE	AGREEMENT AMOUNT	PAYMENT DUE DATE 02/01/99
ACCOUNT NUMBER		PAST DUE	
CARD HOLDER SIGNATURE		AMOUNT DUE 14,100.71	ENTER AMOUNT PAID HERE
VISA, MASTERCARD, DISCOVER & AMERICAN EXPRESS			
DIANE P PHILLIPS BOISE ID 83709-1709			
<input type="checkbox"/> PLEASE CHECK HERE AND SHOW NAME / ADDRESS CORRECTION ON REVERSE SIDE DETACH HERE TO ASSURE PROPER CREDIT PLEASE WRITE YOUR ACCOUNT NUMBER ON YOUR CHECK AND RETURN UPPER PORTION WITH REMITTANCE			
DATE	DESCRIPTION	QUANTITY	AMOUNT
	BEGINNING BALANCE		14,100.71
DATES MAY REFLECT POSTING DATE OR SERVICE DATE			
<b>IMPORTANT MESSAGE</b> YOUR ACCOUNT BALANCE REMAINS UNPAID. PLEASE REMIT PAYMENT IN FULL BY CHECK OR RECORD YOUR CREDIT CARD NUMBER. NEW HOURS 8AM-5:30PM		PATIENT NAME DIANE P PHILLIPS ACCOUNT NUMBER	
TO INQUIRE ABOUT YOUR BILL OR TO MAKE FINANCIAL ARRANGEMENTS, PLEASE CALL (208) 381-2333 OR 1-800-342-3432. ACCOUNT REPRESENTATIVES ARE AVAILABLE TO ASSIST YOU.		<b>ACCOUNT SUMMARY</b> BEGINNING BALANCE 14,100.71 CURRENT ACCOUNT BALANCE 14,100.71 PAST DUE AMOUNT PAYMENT DUE DATE 02/01/99	
DISCHARGE SERVICE DATE 11/13/98	AGREEMENT AMOUNT	AMOUNT DUE 14,100.71	
FOR YOUR RECORDS, RETAIN THIS PORTION FOR TAX PURPOSES.			

*Diane's bill*

<sup>27</sup> None of the people with liens on their homes that were contacted for this report were able to get any response from the hospital on its charity care policy. The County Commissioner's office and the prosecuting attorney's office have also asked St. Luke's repeatedly for their charity care policy to no avail. Conversation between Kevin Borden and Ada County Commissioner Frank Walker and Sherry Morgan of the Ada County Prosecuting Attorney's Office, December 3, 1998.

from the patient, if we come back and find out that they don't have the capacity to pay, we still refer to those as bad debts for our accounting purposes.<sup>28</sup>

According to this definition, charity care is only given to those who ask for it before receiving services. While St. Luke's doesn't turn people away from its doors who are unable to pay, the hospital does not go out of its way to make sure the people who most need their charitable services are receiving them. Instead, the hospital pursues them vigorously for payment long after they leave the facility. In fact, St Luke's utilizes any and all resources available to reimburse for the cost of care, including the County Indigency Care Program, placing liens on people's property and in some cases, even turning people over to collection agencies.

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<sup>28</sup> Transcript, Ada County Board of Equalization, St. Luke's Regional Medical Center Tax Exemption Application, July 9, 1997 page 25

## ADA COUNTY INDIGENCY CARE PROGRAM

Idaho's Indigency Care Program makes public funds available to help pay the costs for hospitals serving low income patients. St. Luke's and St. Alphonsus Regional Medical Centers, the two main medical facilities in Ada County, are the primary users of the Program. The State of Idaho considers someone "indigent" who lacks the income and resources to pay for medical care.<sup>29</sup> This statewide, county administered program is designed to support hospital costs for providing charity care: unreimbursed health care services for uninsured poor families. Almost 14,000 applications for indigency care are submitted to Ada County annually through the hospitals.<sup>30</sup> This program helps finance the "charity" that Ada County non-profit hospitals provide. Unfortunately, the heavy use of this program by hospitals such as St. Luke's encourages non-profit health care providers to avoid adhering to their charitable missions to provide free care to the needy. In addition, the program fails to address the underlying problem of access to health care and can have adverse consequences for those who receive aid through it.

The Indigency Care Program is run by each county, which in turn contracts with local hospitals to provide certain approved services. The county program pays approved medical expenses up to \$10,000.<sup>31</sup> Expenses above this are paid for by the State's Catastrophic Health Care Cost Program.<sup>32</sup> On a yearly basis, Ada County doles out to both St. Luke's and St. Alphonsus around \$2,525,000.<sup>33</sup> The county gives approximately \$1.2 million each year to St. Luke's alone for indigency care.<sup>34</sup>

Individuals (or their hospitals or doctors) must go through an application process set forth by state law to be eligible for assistance. In order to receive county aid, a person must meet the criteria of "medically indigent." To be medically indigent, a person must be in need of

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<sup>29</sup> Idaho Code 35.31-3502 (I have no idea how to cite this)

<sup>30</sup> *Ada County Department of Welfare Strategic Plan* Ada County Department of Welfare, <http://adaweb.co.ada.id.us/adaweb.nsf> 1997 In 1993, 13,850 applications were submitted to the Ada County indigency program for service. This was a 28% increase from 1991.

<sup>31</sup> Idaho Code § 31-3503

<sup>32</sup> Idaho Code § 31-3503(1) and Idaho Code § 31-3519

<sup>33</sup> *Ada County Budget, 1998* Ada County Auditor's Department. The 1996-97 county welfare budget for charities was broken down as such:

Medical Supplies/Drugs	\$209,785.26
Hospitals	\$2,524,177.52
Hospital/Mental Health	\$394,483.84
Professional/Medical Services	\$697,120.65
Professional/Mental Health	\$100,529.53
Emergency Assistance	\$201,514.26

<sup>34</sup> Board of Equalization of Ada County, *Amended Findings of Fact and Conclusions of Law* page 6



medically necessary services and lack the sufficient resources to pay for these services. There is no set financial criteria; each applicant is reviewed on a case by case basis by the County Board of Commissioners. The applicant must fill out the same form that anyone seeking Medicaid, Food Stamps or state cash assistance must fill out. If the person is deemed ineligible for Medicaid and county aid is granted, the county may demand reimbursement from the recipient if he or she later acquires or becomes capable of acquiring the resources to pay all or a portion of his or her medical expenses.<sup>35</sup> Generally, a repayment plan is

### **A Family's Fight to Save Their Home**

Jeff and Connie's situation is typical of many working poor families in Ada County. Despite the fact that Connie works full time as a Certified Nurse's Assistant, and Jeff is employed part time at a temp agency, they have no health insurance. Because coverage is not available through their employers and they make too much money to be eligible for Medicaid, their only other option is to buy coverage on their own. The estimated premium for their family is \$400 / month, almost one third the family's monthly paycheck.

Connie and Jeff are one of thousands of families that have liens on their homes for receiving care at St. Luke's hospital. Their story begins in September of 1998 when Connie sought emergency care at St. Luke's.

"I had no health insurance and knew the bill was going to be outrageous. The doctor was well aware that I could not afford the bill and I had to get out as quick as possible, so once I was stable, the staff trained us on the treatment I would need at home and released me."

When it came time to discuss paying her bill of over \$2,000, Connie and Jeff attempted to negotiate a payment plan with the hospital. "I told them that I would be more than happy to pay my bill, but all we could afford was \$10 to \$15 a month. They insisted we pay at least \$25 a month." St. Luke's did not discuss the hospital's charity care policy, nor did they attempt to work with Jeff and Connie's limited ability to pay their bills. Instead, the couple was referred to the county indigency care program.

The county approved her application, but during the application process, no one at the county told her that if approved an automatic lien would be placed on her home. "If I knew that, I would never have gone to the county for help. I would have rather faced the collection agencies instead. We already have hospital bills out the nose due to Jeff's surgery in '97 that cost over \$5,000 and my monthly diabetic expenses. We had to take out a personal loan using our home as collateral just to pay off Jeff's bills- and now a lien?"

Having a lien placed on their home has had severe consequences for Jeff and Connie's family. The couple desperately want to get Jeff's sister, Tiffany, who has cerebral palsy with seizure disorders, out of institutional care and to bring her home to live with them under Connie's care. However, state regulations will not allow home care services to be administered in a mobile home. Thus, the couple are now faced with choosing between trying to sell their home with a lien on it, or leaving their sister in institutional care.

"I still have faith in the nurses and doctors that work at St. Luke's. However, I think St. Luke's administration really needs to get their act together to service families like mine better. I would like to thank St. Luke's administration for sending me to a place that gave me a lien on my home. I never saw anything charitable in the care they gave me. Why wouldn't they take my payment option?"

<sup>35</sup> Idaho Code § 31-3510A Medically indigent people are required to reimburse the county or state for all or part of their medical expenses if an investigation of their application for assistance indicates they have the ability to pay.

worked out, where the aid recipient must make monthly payments. A Reimbursement Clerk monitors the case, ensuring that payments are received by the county.<sup>36</sup>

The state law requires that a lien, a legal right to hold property or to have it sold and applied to the payment of a claim, be automatically placed upon all applicants' property:

Idaho Code § 35.31-3504: Upon application for financial assistance pursuant to this chapter an automatic lien shall attach to all real and personal property of the applicant and on insurance benefits which the applicant may become entitled. The lien shall also be attached to any additional resources to which it may legally attach not covered above.

The lien remains attached to the recipient's property until the payment is remade to the county for any medical services received. In addition, the application for assistance and lien becomes part of the public record. A quick search of the county records over the past three years showed over 3,570 people's names with liens placed against their property in return for receiving health care paid for by the County Indigency Care fund. For those in poverty, having a lien placed on what, for many, is their sole possession of value, can be devastating.

The following table illustrates the number of indigent admissions into St. Luke's and the dollar amount reimbursed by the county.

<b>Year</b>	<b>Dollar Amount Paid</b>	<b>Number of Admissions<sup>37</sup></b>
FY 1996	\$1,206,157.01	1015
FY 1997	\$888,934.90	1086

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<sup>36</sup> According to the Director of Ada County Department of Welfare, Mike Roberts, if an aid recipient does not make repayments on schedule, the first step the county takes is to send one or two letters notifying the person of their delinquent account status. If that fails, the county will then contact the prosecuting attorney's office to draft a letter. The final step is to get a judgment against the aid recipient for defaulting on repayment to the county.

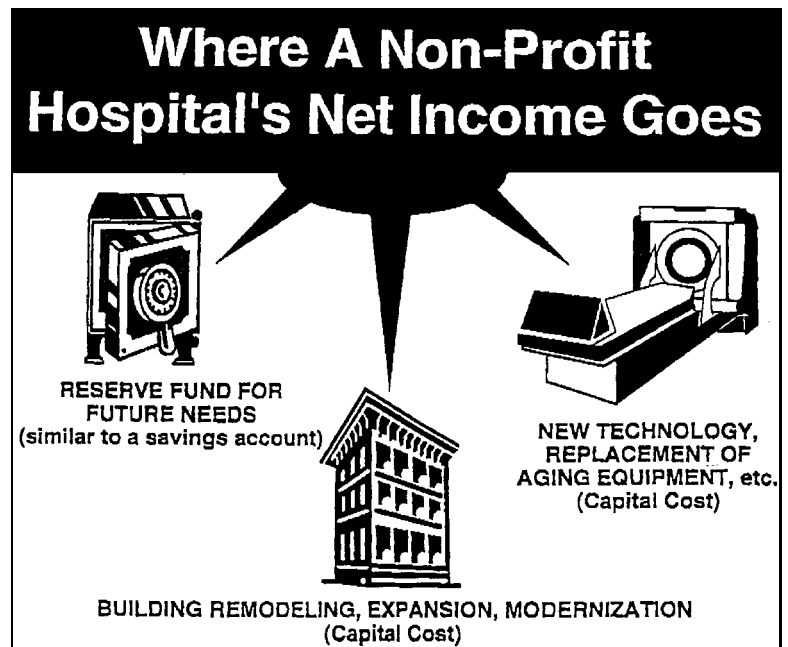
<sup>37</sup> Letter from R. M. Roberts, Director Ada County Welfare to Idaho Citizens Network, November 13, 1998. The completed 1998 numbers were not available.

## WHERE ARE ST. LUKE'S CHARITY CARE DOLLARS GOING?

ICAN believes that St. Luke's reliance on the County Indigency Care Program discourages the hospital from following its mission as a charitable non-profit to provide free care to the needy. St. Luke's makes a hefty profit, despite its charitable mission and commitment to reinvesting its resources back into the community. In 1995 alone, the hospital made over \$16 million dollars in profit.<sup>38</sup> 1996 was prosperous as well, bringing in \$14.4 million in profit.<sup>39</sup> According to Nancy Kane, an economist hired by Ada County to evaluate St. Luke's charitable program, "the profit margin of St. Luke's has been well above that of 75% of Idaho hospitals. In fact, they exceed the after tax profits of Columbia/HCA<sup>40</sup> in its 'good' years."<sup>41</sup> St. Luke's has continued to show a budget well in the black, reaping \$31.6 million in profit in 1997.<sup>42</sup>

With these generous quantities of funds flowing into St. Luke's bank account, one may wonder, where the hospital spends all of its millions? According to St. Luke's, the hospital spends its money in the following ways:<sup>43</sup>

According to this graphic, St. Luke's spends its wealth of funds on new technology, replacement of aging equipment, remodeling, expanding and modernizing. The rest is saved for a future date. The hospital has indeed vigorously expanded, spending a great deal of its excess funds on new buildings such as the Meridian Medical Center, which opened in January



<sup>38</sup> St. Luke's Regional Medical Center, Form 990 FYE 9/30/95

<sup>39</sup> Ibid, FYE 9/30/96

<sup>40</sup> Columbia/HCA was the largest for-profit hospital chain in the United States when this report was written.

<sup>41</sup> Kane, Nancy "Affidavit of Nancy M. Kane" April 16, 1998. St. Luke's hospital declined to release the audited financial data Ms. Kane used for her assessment to the Idaho Citizens Network and Idaho Hunger Action Council.

<sup>42</sup> St. Luke's Regional Medical Center, Form 990 FYE 9/30/97 \$31,650,327 in profit (excess funds)

<sup>43</sup> Graphic taken from materials submitted by St. Luke's at a presentation to the Charitable Exemptions Committee on August 5, 1998

I have had numerous treatments at St. Luke's Regional Medical Center over the period of one dozen years. I know that St. Luke's Regional Medical Center is a non-profit hospital whose mission is to provide charitable health care to Ada County residents. Having felt the pinch on my budget in order to pay for my health care bills, a couple of questions have come to mind.

1. Does St. Luke's have a written charity care policy for low or moderate income families who are uninsured or underinsured?
2. What is the collection policy for patients like myself who don't always have the means or access to cover the cost of health care at the hospital?
3. Does St. Luke's have on file or provide information for families who may qualify for Ada County Indigency Care Funds? Please note: I accessed these funds only through information from my daughter.

I appreciate your time and attention to this matter. Should you have any questions, please do not hesitate to call. I expect a clear and expedient response from the hospital.

Sincerely,

Leanna Rowan  
Boise, ID 83714

cc: Ada County Commissioners  
State of Idaho Attorney General's Office

*Leanna's letter*

*St. Luke's response*

190 East Bannock  
Boise, Idaho 83712

208-381-2222

Edwin E. Dahlberg  
President



December 18, 1998

Leanna Rowan

Boise, ID 83714

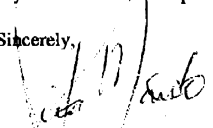
Dear Ms. Rowan:

Thank you for your letter of November 19, 1998, which we received on November 25<sup>th</sup>. St. Luke's is a charitable organization and we do give charity consideration to individuals and families who are financially unable to pay for their services.

In response to your question as to if we provide information to the Ada County Indigency program. We have a full program of reviewing and discussing with our patients the potential of qualifying for funds from the county program. I will have my staff review your account with respect to the potential of receiving county coverage or charity service.

If you have additional questions, please contact me.

Sincerely,

  
Vic Moretto, FACHE  
Director, Patient Financial/Registration Services

VM/mjj

Cc: Ada County Commissioners  
State of Idaho Attorney General's Office  
F/U 12/15/98

## **A 16 Year Battle With Bills**

Leanna and Ralph have lived in Boise for 37 years. The past fourteen years they have spent struggling with overwhelming medical bills. "Even though it all started back in 1984, it seems like yesterday to me. It has never ended."

Ralph and Leanna's story began when she had emergency open heart surgery at St. Luke's in 1983. Their family had been battling financial difficulties for some time. Ralph's job as a full time tile layer kept the family of seven barely afloat, but his employer offered no health insurance when this unexpected emergency hit. "My daughter and husband went to the County while I was in the hospital. Someone at St. Luke's apparently told them they had to do this. They definitely did not offer any help-but sent us to the County instead."

"Going through major surgery was hard enough, but then the hospital started harassing me with phone calls and bills. This one person from the billing department was so rude to me that I got incredibly upset. No matter how many times you tell them that you can't pay, they won't leave you alone, so I finally just told her to make an appointment for the hospital to take back the valve they had put in my heart."

Making matters worse, Ralph was laid off from his job in 1984. Leanna had spent the past 20 years taking care of her five children, one of which is developmentally disabled. For the first time in her life, she found herself working outside the home to pay off the medical bills accumulating from St. Luke's.

"The hospital wanted us to commit to a specific monthly payment, but there was no way! We were living month to month as is-food on the table came first. I came to the point where I wanted to work at St. Luke's to pay it off. I hate having bills unpaid--that is the worse thing for me. I worked very hard as an accounting officer making about \$200/week. I was able to acquire a credit card and then charged \$1,700 worth of medical bills on it."

Leanna and Ralph talked of buying a new home. "We can't because of the lien. We don't even own the place we live in now. Yes, we have a title, but the County has dibs. We have never run from a medical bill. When we have money, we pay. I have never claimed bankruptcy in my life, but I got to the point that I told St. Luke's I would, just so they'd stop harassing me and my family."

1996. St. Luke's also has recently added six floors to its tumor institute and is building a new hospital in Blaine County to serve Ketchum, Sun Valley and the surrounding area.<sup>44</sup> St. Luke's has also used its funds to reward its top executives very handsomely. The hospital's CEO, Ed Dahlberg, was compensated \$345,624 in 1997, a \$108,720 increase from 1994.<sup>45</sup>

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<sup>44</sup> "Caring For Our Community: St. Luke's 1998 Report" page 3, 1998

<sup>45</sup> St. Luke's Regional Medical Center, Form 990 FYE 9/30/94, and FYE 9/30/97, Part V List of Officers and Trustees and Key Employees Mr. Dahlberg's yearly salary represents the annual take home pay of forty-two people living at 100% of the federal poverty level. His raise alone represents as much money as thirteen people living at 100% of the federal poverty level would see in a year.

## Compensation of St. Luke's Top Three Executives

	1994	1995	1996	1997	%increase
Ed Dahlberg Chief Executive Officer	\$236,904	\$288,265	\$305,747	\$345,624	31.4%
	<b>A \$108,720 increase over four years</b>				
Gary Fletcher Executive Vice President	\$170,971	\$197,576	\$212,607	\$222,078	23.0%
	<b>A \$51,107 increase over four years</b>				
Clarence Pomeroy Vice President: Finance	\$165,973	\$184,981	\$194,295	\$213,000	22.0%
	<b>A \$47,027 increase over four years</b>				

Additionally, the hospital spent as much on interior design, redecorating and new cabinets as it did in on free care for low-income families between 1993 and 1995-about \$3.3 million dollars.<sup>46</sup>

St. Luke's does invest a minor amount of its wealth into health care for community members under 100% of the federal poverty level. The hospital contributes \$250,000 to a reimbursement pool for the Health Access Clinic. This Clinic was established in the summer of 1998 by St. Luke's and St. Alphonsus, and is run through the Family Residency Plan-a training program for physicians in Ada County.<sup>47</sup> The clinic is not free but charges on a sliding fee scale. Together, the hospitals have added an additional \$500,000 to their existing subsidy of the family residency program, for the purpose of reimbursing the clinic for serving uninsured patients.<sup>48</sup> The Clinic only serves between 20 and 60 individuals a month.<sup>49</sup> Thus, many low-income families generally must rely either on the "free care" offered by St. Alphonsus or St. Luke's Medical Centers.

<sup>46</sup> *St. Luke's Regional Medical Center, Form 990, 1993,1994 & 1995*

<sup>47</sup> The Health Access Clinic was established in response to community criticism of St. Luke's and St. Alphonsus' withdrawal from the Primary Care Consortium. For several years, St. Luke's participated in the Primary Care Consortium, a unique collaborative effort that would have solved many of the current health care problems facing the poor uninsured families in Ada County. The Consortium was a community based venture made up of local organizations, including the ICAN, the City of Boise, St. Luke's, St. Alphonsus, and local safety net providers that worked together to increase primary health care for the uninsured poor in Ada County. The group met for over 2 years and developed a plan called the "Ada Care Plan," which would have provided primary health care, prescriptions, lab work and x-rays for approximately 4,000 uninsured persons up to 100% of the poverty level. Not only would this program have funded much needed health care and prescription drug coverage, but it would have also had a critical community involvement and oversight component. Abruptly in the Spring of 1998, St. Luke's, along with St. Alphonsus, pulled out of this shared effort.

<sup>48</sup> Letter from the Health Access Clinic, dated July 20, 1998.

<sup>49</sup> Interview with Todd Swanson by Kevin Borden, Program Director, Family Practice Residency of Idaho. The Clinic saw 22 people in August, 37 in September and 60 in October 1999. The Clinic does no outreach.

## SHOULD A HOSPITAL REINVEST ITS PROFITS IN FREE CARE AS PART OF ITS TAX EXEMPTION?

As a result of the hospital's huge profits, Ada County Commissioners have been questioning the need for the hospital's property tax exemptions, arguing that St. Luke's should earn its tax breaks by being more charitable and giving back to the community.

St. Luke's and Ada County have long fought over the hospital's tax status. On a yearly basis, St. Luke's receives almost four million dollars in tax benefits within the County.<sup>50</sup> In 1997, the County Commissioners denied the facility's application for 1996 property tax exemption on a portion of its property, and for all of the hospital's properties for 1997- representing \$3.5 million dollars worth in tax breaks annually to the hospital.<sup>51</sup> The Commissioners alleged the hospital was not acting like a charity any longer, that it had grown too wealthy and wasn't returning its profits back to the community in the form of charity care and other services, and that not all the facilities for which St. Luke's received tax exemptions were true hospital facilities. The County Commissioners were quite critical of the hospital, finding that St. Luke's is not supported by donations in any significant fashion; that St. Luke's charges fees sufficient to cover all its operating expenses as well as to retire any debt, and pursues sources of payment from all patients; and, that the annual accumulation of substantial revenues, excluding donations, and investing and saving it instead of reinvesting in the community, is contrary to the charitable purpose.<sup>52</sup>

Perhaps the most compelling of all the Commissioners findings, however, was that the general public pays for and subsidizes the cost of free care. ICAN's investigation into the hospital's charity care policies confirms that due to St. Luke's heavy reliance on the County Indigency Care Program, the public does indeed pay for health care services for low income people that the hospital could itself be providing simply by reinvesting its multi-million dollar annual profits back into the community.

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<sup>50</sup> Ada County Tax Assessment Records 1998 provided by Dave Navarro, Ada County Clerk

<sup>51</sup> "Commissioners say St. Luke's should pay property taxes for '97" *Idaho Statesman*, August 21, 1998

<sup>52</sup> Board of Equalization of Ada County, *Findings of Fact and Conclusions of Law* July 1997

Meanwhile, the court case has made its way to the state Supreme Court, where it is awaiting review.<sup>53</sup> In response to the county's actions to repeal St. Luke's tax exempt status, Representative Dennis Lake and Senator Clyde Boatright are sponsoring, on behalf of the Idaho Hospital Association, House Bill 154 that was introduced in the 1999 legislative session. This bill will re-define the criteria for tax exempt organizations in the state, eliminating the basis for the county's action, but will require certain hospitals to report on their community efforts to reinvest their profits in the community.

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<sup>53</sup> St. Luke's appealed the county's decision to the Idaho Board of Tax Appeals. The Board overturned the county's decision, holding that St. Luke's was charitable and the facilities in question were hospital facilities. The county then took its fight to the district court, where in August, 1998, a judge ruled that St. Luke's would have to pay \$155,000 in 1996 property taxes for its Meridian Medical Center (see Johncox, Martin "St. Luke's must pay taxes on its Meridian site" *Idaho Statesman*, August 21, 1998, A1) The case over whether St. Luke's owes money for 1997 taxes is under appeal by the county to the District Court. For 1998, the decision to deny the hospital its 1998 tax exempt status has been deferred until 1999 (Personal communication with Sherry Morgan, Ada County Prosecuting Attorney's Office, December 8, 1998.)



## SOLUTIONS

Living in poverty without access to affordable, quality health care is a major obstacle to a family's health, well-being and security. The stories of low-income families in Ada County shared with ICAN emphasize the desperate need for new options to be made available for people in poverty in need of medical care. Community members have a right to expect non-profit hospitals to be good neighbors by reinvesting and giving back to the communities they serve-especially when those hospitals are reaping huge profits and benefiting from generous public subsidies.

Despite the fact that St. Luke's is the largest and wealthiest hospital in the state, and is an institution dedicated to charitable purposes, St. Luke's charity care policies are vague and undefined. St. Luke's has at least \$80 million dollars in investments, skyrocketing CEO salaries, and spends millions of dollars on interior design, re-decorating and new cabinets. In addition, the hospital gets \$4 million in tax breaks annually within Ada County. In spite of its generous wealth of funds, St. Luke's spends a meager \$1.5 million annually on charity care.

The hospital appears to have no formal screening protocol for determining charity cases, opting instead to send poor families through its billing system and writing them off as bad debt. Those who are thoughtful enough in an emergency situation to alert hospital staff that they have no health insurance and no resources to pay for care are subsequently shuttled into the County Indigency Care Program where liens are placed on their homes. ICAN does not believe this to be an appropriate way for a rich, not for profit hospital to be fulfilling its charitable mission.

Idaho Community Action Network calls upon St. Luke's to reinvest its 1997 \$31.6 million in profits to provide Ada County with the health care it needs.<sup>54</sup> We want to see an end to exorbitant CEO salaries and multi-million dollar redecorating projects and the beginning of providing true charity care. St. Luke's should fulfill its charitable mission of providing health care to those members of our community that can least afford it.

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<sup>54</sup> *St. Luke's Regional Medical Center, Form 990 FYE 9/30/97*

We urge St. Luke's to institute a profit cap, above which all revenues would be reinvested in the community. These funds can be utilized by:

- creating a clear charity care policy for people up to 200% of the federal poverty level (for a family of three, earning \$2,276/month);
- funding health coverage, including dental and prescription drug coverage, for families up to 200% of poverty level;
- creating a community board and oversight process for the coverage program;
- committing either 5% of the hospital's gross revenues or its full tax benefit to charity care;
- funding a free health clinic in Garden City, home to many low income Ada County residents;
- debt forgiveness for families up to 200% of the poverty level, who are currently languishing in St. Luke's billing system.



St. Luke's needs to put an end to sending families to collections and placing liens on their homes. The price of this false charity is just too high. The hospital is a thriving and prosperous organization that should be dedicating its resources to improving the health of our community. Non-profits like St. Luke's should choose public health over private wealth.