

PEOPLE OR PROFITS?

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INTRODUCTION

“I filed bankruptcy after receiving thousands of dollars of medical bills resulting from surgery at Providence St. Peter Hospital. Of the \$17,000 of bills for my surgery, my insurance company only paid \$9,000, leaving me with \$8,000. As a single mom, unable to work while I was recovering from surgery, I wasn’t even able to afford the regular bills in my life, much less thousands in additional medical bills. I filed bankruptcy because I thought it was my only option.”

Tracy Mulcahy, Lacey, Washington.

“I received my first bill for my treatment at St. Pete’s earlier this year. The total came to over \$800. There’s no way that I can afford that. I’ve heard that the bills for the uninsured are higher than the bills for individuals with insurance. Providence knows that I am uninsured. But they have never informed me about free or reduced price care options. I feel very appreciative of the care I’ve received at St. Pete’s from the doctors, nurses and hospital staff. They treated me with dignity and respect. I wish the compassion that hospital staff showed in my care were also shown in the corporate billing policies.”

Bev Bean, Olympia, Washington.

“It has been several months [since I applied for Charity Care], and to date I have not received a letter, phone call, or any other notice from the hospital explaining the result of my request for a [Charity Care] refund. I certainly haven’t received back any of the hundreds of dollars that we overpaid, and desperately need. I did, however, a week or so after Bob’s death in June, receive a new bill from St. Peter’s. It’s like being backstabbed. I want to be able to trust my community hospital.”

Doris Durand, Yelm, Washington.

In 2005, Washington Citizen Action (WCA), a statewide grassroots membership-based organization, began to investigate complaints from its constituents about the billing practices at Providence St. Peter Hospital in Olympia. While WCA heard few complaints about the quality of care provided by the staff at Providence St. Peter’s, many uninsured and underinsured patients have expressed concerns about unfair billing practices at the hospital and a lack of access to the hospital’s charity care programs.

This report examines the billing practices of Providence St. Peter Hospital. The purpose is to determine whether the hospital is acting in a way that is consistent with its mission, with its charitable obligations as a nonprofit organization exempt from

tax under section 501(c)(3) of the Internal Revenue Code, and with Washington laws governing charity care. In particular, WCA is concerned that Providence St. Peter’s falls short of its responsibilities in three key areas: 1) by failing to charge the uninsured and underinsured a fair price for the services they receive; 2) by failing to provide meaningful access to charity care to low-income, uninsured, and underinsured patients; and 3) by prioritizing profits above its charitable mission as a nonprofit organization. Through intensive research, including telephone surveys, data analysis, and community outreach, this report is designed to inform the public about St. Peter’s billing practices and outline key recommendations for improving those practices.

METHODOLOGY

Providence St. Peter Hospital in Olympia is a 501 (c)(3) nonprofit organization. Its mission statement emphasizes “special concern for those who are poor and vulnerable.” To determine whether Providence St. Peter’s billing practices are in line with this mission, and whether the hospital is deserving of its tax-exempt status as a nonprofit hospital, Washington Citizen Action (WCA) used the following research methods:

Community Outreach. WCA conducted home visits, which included in-depth, one-on-one interviews, with 400 patients of Providence St. Peter Hospital. These interviews generated information on a range of health care issues, including thorough documentation of both the availability of charity care to patients and the impact of hospital billing practices on the lives of the people that the hospital serves.

Telephone Surveys. WCA conducted a telephone survey of 5750 households in Thurston County. The survey list consisted of registered voters in precincts that had lower than a certain median income, and thus would be more likely to qualify for charity care. Of call respondents, 383 interviewees said they had received bills from Providence St. Peter’s. The survey then asked a series of follow-up questions about hospital debt, including whether or not patients were offered information about charity care programs, the amount of medical debt they held, and how this debt affected their credit ratings, bankruptcy status, and other life options.

Data Analysis. WCA, in partnership with the Northwest Federation of Community Organizations (NWFCO) conducted data analysis related to hospital charges, revenues, and charity care provision at Providence St. Peter’s. WCA analyzed the charges that patients of Providence St. Peter’s incurred for certain services, relative to patients at comparable hospitals, to determine whether Providence St. Peter’s is overcharging patients for services received. WCA also conducted an analysis of Providence St. Peter’s level of charity care contributions relative to gross revenues. In addition, researchers assessed Providence St. Peter’s net profits and executive compensation.

Comparative Analysis of Legal Requirements, Charity Care Policies at St. Peter’s, and Best Practices from around the Nation. WCA conducted an analysis of Washington Administrative Codes that govern provision of charity care, and reviewed best practices in charity care provision from around the nation. This research was designed to assess whether Providence St. Peter’s is fulfilling its mission of operating with “special concern for those who are poor and vulnerable,” and to inform the recommendations in this report.

REPORT STRUCTURE

The key findings in this report focus on three principal questions.

1) Is Providence St. Peter’s overcharging uninsured patients for the care it provides? This research includes both an assessment of billing practices relative to comparable hospitals, and an assessment of the financial burden incurred by patients of Providence St. Peter Hospital.

2) As measured by three key criteria, does Providence St. Peter Hospital provide meaningful access to its charity care program to all needy patients? Those criteria are:

- Providing notice to all patients of their financial assistance options.
- Providing all patients who qualify for charity care full access to the program, including financial assistance after bills have been sent to collections or have been paid.
- Providing charity care at a level sufficient to protect low-income patients from accruing significant medical debt as a result of the care they receive at Providence St. Peter’s.

3) Are Providence St. Peter’s billing practices and profit structures aligned with their charitable mission? This assessment reviews Providence St. Peter’s profits, executive compensation, and gross revenues relative to charity care provision.

Finally, the report concludes with recommendations and model policies for charity care provision that Providence St. Peter Hospital should consider adopt-

ing if they are serious about their mission to fulfill their charitable obligations.

OVERBILLING THE UNINSURED

Research conducted by Washington Citizen Action and the Northwest Federation of Community Organizations reveals that Providence St. Peter's harms uninsured patients by charging them prices which are significantly higher than the cost to the hospital of providing services. The following analysis explains the methodology and the results that lead to the conclusion that Providence St. Peter's is overcharging, and assesses the impact of medical debt on the lives of patients.

A. ASSESSMENT OF BILLING POLICIES AND PRACTICES AT PROVIDENCE ST. PETER'S

Nonprofit hospitals who accept tax-exempt status engage in an express and/or implied contractual relationship with the government to offer affordable health care to the public. The understood and intended beneficiaries of this relationship are uninsured and underinsured patients who are in need of medical care, but who lack the necessary means to acquire this treatment. Often, however, insured patients receive discounted rates, while the uninsured pay a much higher price.

WCA members met with hospital management to determine if Providence St. Peter's has engaged in the practice of charging inflated and inordinate rates for medical care to uninsured patients, while providing discounts to insured patients. Upon investigation, WCA members found that the average negotiated rate that an insurance company pays for care at Providence St. Peter's is 45 percent less than the list price of services.

This list price is much greater than the actual cost of providing those services. Considering that Providence St. Peter's is a very profitable hospital, this "discount" of 45 percent for the average insurance company still allows for a considerable profit margin for Providence St. Peter's. Yet despite the hardship that the uninsured already face, Providence St. Peter's offers the uninsured only a 30 percent "discount" from list prices. In

other words, the uninsured pay 27 percent more for care than the average insurance company must pay.

At Providence, uninsured are charged the highest rates for care.

The testimony of Bev Bean of Olympia illustrates the effect of overcharging on the uninsured



My name is Bev Bean. My husband and I both retired from the State of Washington. We live in a trailer in SW Olympia. Most of our income that comes in, goes right back out. A couple of years ago, we had to drop our health coverage, because we couldn't afford the \$160 per month premium anymore.

Back when I had health insurance, I had gone into St. Pete's. They took a Catscan and found a mass in my neck. I stayed in the hospital for three days. Soon we found out that it was cancer. I underwent chemotherapy and, thankfully, the cancer went into remission. I am very grateful for the excellent care I received both

at the hospital in my follow-up care.

Earlier this year, my neck had been dramatically swelling. Again, I went into St. Pete's and had a Catscan, though I was now uninsured. They didn't find anything, but they suggested that I go to a free clinic in West Olympia for follow-up. When I went to the clinic the woman at the desk told me that I couldn't be seen and that St. Pete's referred too many people to them. My neck is still swollen and it aches, but I haven't gotten any follow-up care.

Recently, I received my first bill for my treatment at St. Pete's earlier this year. The total came to over \$800. There's no way that I can afford that. I've heard that the bills for the uninsured are higher than the bills for individuals with insurance. I had to give up my insurance because I couldn't afford to pay it. What makes Providence think that I can afford a more expensive bill now? Providence knows that I am uninsured, but they have never informed me about free or reduced price care options.

I feel very appreciative of the care I've received at St. Pete's from the doctors, nurses and hospital staff. They treated me with dignity and respect, unlike my experience at the clinic. I wish the compassion that hospital staff showed in my care were also shown in the corporate billing policies.

FINDING:

Providence St. Peter's charges the uninsured the highest rates for care. Despite the financial hardship and undue burden that it causes, an uninsured patient can expect to pay 27 percent more than an insurance company pays on behalf of an insured patient for the same care at Providence St. Peter's.

B. ANALYSIS OF CHARGES BY DIAGNOSIS RELATED GROUPS (DRGS)

Methodology: The billing rates at Providence St. Peter's were compared to other hospitals in the region, to assess whether they are billing the uninsured at a comparable rate. Hospitals in Washington report their "charges" (also known as gross charges, list prices, or sticker prices) to the Department of Health for every

patient they discharge.

Every patient discharged from a hospital is grouped into one of about 500 Diagnosis Related Groups, or DRGs (a method of categorization established by the federal Center for Medicare and Medicaid Services to serve as the basis for Medicare reimbursement). Patients assigned to any given DRG have similar medical conditions placing similar demands on a hospital's resources, and the Medicare program therefore pays a hospital essentially the same amount (with some variation in unusual cases) for each patient assigned to a given DRG.

Under the Medicare program, payments for patients classified in the same DRG may vary slightly, based on a variety of adjustment factors. However, our study showed that bills to uninsured patients classified in the same DRG vary widely – sometimes by more than two to one – among Washington state hospitals.

WCA's analysis compared the average charge (aka gross charges or list prices) per discharge for the 10 highest volume DRGs at Providence St. Peter's to the average charges from three closely comparable Washington hospitals. The number of patients classified in these 10 DRGs accounted for over 1/3 of Providence St. Peter's patients (and 28 percent of gross charges) in 2004.

Third party payers such as Medicare, Medicaid, and commercial insurers generally negotiate prices that are lower than these gross charges. However, these negotiated rates are usually considered proprietary. In addition, uninsured patients, who do not have the benefit of a private or public insurer to negotiate on their behalf, are charged the highest rates for care. This analysis uses gross charges by DRG to conduct an analysis of Providence St. Peter's billing of the uninsured relative to other comparable hospitals.

This initial analysis indicates that Providence St. Peter's (and the Providence Health System in general) has much higher sticker prices than other hospitals. This is a very good indication that Providence's actual charges (as negotiated with insurers and charged to the uninsured) are also likely to be significantly higher than those of its peers.

FINDINGS:

The results of this research are as follows:

This research revealed that Providence St. Peter's has higher list prices than the three other hospitals examined. Providence St. Peter's has higher mean charges per discharge than Northwest Hospital and Southwestern Washington Medical Center in all of the 10 highest volume DRGs, and in 8 out of 10 of the highest volume DRGs at Capital Medical Center.

A comparison to Southwestern Washington Medical Center shows that the mean charge per discharge in the 10 highest volume DRGs is between 3 percent and 111 percent higher at Providence St. Peter's. The mean charge per discharge ranges between 24 percent and 176 percent higher at Providence than at Northwest Hospital. In two high volume DRGs, patients at Capital Medical Center are charged an average of 3 and 23 percent more than at Providence St. Peter's. But in the eight other highest volume DRGs, patients at Providence St. Peter are charged an average of 14 percent to 102 percent more than at Capital Medical Center.¹

Capital Medical Center, Southwestern Washington Medical Center, and Northwest Hospital were chosen for comparison with Providence St. Peter's for the following reasons:

- Capital Medical Center operates in the same market as Providence St. Peter's.
- Like Providence St. Peter, Southwestern Washington Medical Center largely dominates its market, is located in western Washington, and is of similar size (Southwestern Washington Medical Center has 360 licensed beds compared to St. Peter's 375 licensed beds.)
- Northwest Hospital was chosen for three reasons. It is similar in size to Providence St. Peter's (345 licensed beds) and is closely comparable in the average acuity of its patients (its case mix index of 1.12 is very similar to that of Providence St. Peter's which is 1.13.) Northwest Hospital was also chosen because it operates in a more competitive market, allowing us to test the hypothesis that competition has an effect on prices.

Looking at particular DRGs illustrates the degree of difference in charges at Providence versus other hospitals. We examined three of the most common procedures associated with childbirth, because these are very high volume procedures that are relatively standard. DRGs 391, "Normal Newborn" (which includes the charges for the time and services that a newborn baby receives while in the nursery), and 373, "Vaginal Delivery w/o Complicating Diagnoses" are the greatest and second greatest volume DRGs, respectively, for each of the hospitals examined. DRG 373, "Cesarean Section w/o Complicating Conditions," ranks anywhere from the third to the sixth highest volume DRG at each of these hospitals.

¹Washington State Department of Health, Comprehensive Hospital Abstract Reporting System, "Hospital Census & Charges by DRG", from 01/01/04 to 12/31/04.

DRG 391, "Normal Newborn", 2004 CHARS data

HOSPITAL	Mean Charge per Discharge (MCPD)	\$ Amount by Which PSPH MCPD Exceeds Hospital's MCPD	% by Which PSPH MCPD Exceeds Hospital's MCPD
Providence St. Peter's	\$1,798.51	—	—
Capital Medical Center	\$1,202.16	\$596.34	49.61%
Southwestern Washington MC	\$1,616.37	\$182.13	11.27%
Northwest Hospital	\$1,150.91	\$647.60	56.27%

DRG 373, "Vaginal Delivery w/o Complicating Diagnoses", 2004 CHARS data

HOSPITAL	Mean Charge per Discharge (MCPD)	\$ Amount by Which PSPH MCPD Exceeds Hospital's MCPD	% by Which PSPH MCPD Exceeds Hospital's MCPD
Providence St. Peter's	\$10,261.71	—	—
Capital Medical Center	\$6,284.56	\$3,977.15	63.28%
Southwestern Washington MC	\$4,871.81	\$5,389.90	110.63%
Northwest Hospital	\$4,473.73	\$5,787.98	129.38%

DRG 371, "Cesarean Section w/o Complicating Conditions", 2004 CHARS data

HOSPITAL	Mean Charge per Discharge (MCPD)	\$ Amount by Which PSPH MCPD Exceeds Hospital's MCPD	% by Which PSPH MCPD Exceeds Hospital's MCPD
Providence St. Peter's	\$15,566.89	—	—
Capital Medical Center	\$9,098.42	\$6,468.47	71.09%
Southwestern Washington MC	\$8,186.96	\$7,379.94	90.14%
Northwest Hospital	\$7,741.90	\$7,825.00	101.07%

As the charts above reveal, charges for vaginal deliveries, the second highest volume procedure at each hospital examined, are between \$4,000 and nearly \$6,000 more at Providence St. Peter's than at comparable hospitals. Charges for mothers who need Cesarean sections will be, on average, \$6,500 to \$7,800 higher at Providence St. Peter's.

To summarize, Providence St. Peter's Hospital has much higher list prices (gross charges) than Capital Medical Center, the only other hospital in the market. Providence St. Peter's has higher list prices than 2 other hospitals examined: Southwestern Washington Medical Center in Vancouver, and Northwest Hospital in Seattle. This means that Providence St. Peter's – a nonprofit hospital with a purported charitable mission – is likely to charge the uninsured more for care than other hospitals in the region including for-profit hospitals.

C. MARK-UP RATES FOR HOSPITAL SERVICES

Another indication that Providence St. Peter's is overcharging the uninsured is the mark-up ratio, which is calculated by the Department of Health (DOH) for each hospital in the state. This ratio is the total operating revenues (total gross patient service revenue + other operating revenues) divided by total operating expenses. The actual revenues that a hospital receives are in fact much lower than gross revenues, because of contractual agreements with Medicare, Medicaid, and private insurers.

According to the most recent DOH data from 2004, Providence St. Peter's had the 8th highest markup of the approximately 90 acute care hospitals in the state. The mark-up ratio at Providence St. Peter's was 2.612 times the cost of service. When Providence says that uninsured patients receive a 30 percent "discount" off of a list price, in reality that discount is off of a price that is, on average, 2.612 times higher than the operating expenses associated with that care. In other words, Providence St. Peter's is still charging the uninsured a price that is, on average, 82.8 percent higher than the cost of care. This is not a discount, but rather a significant overcharging of the uninsured.

Providence St. Peter's is still charging the uninsured a price that is, on average, 82.8 percent higher than the cost of care.

FINDING:

Despite its status as a nonprofit organization, Providence St. Peter's charges prices that are significantly higher than comparable hospitals, and the uninsured and underinsured bear a significant proportion of these costs.

D. COMMUNITY IMPACT

Bills from Providence St. Peter's have a profound effect on the lives of the patients who incur them. A randomized telephone survey conducted by WCA of 383 patients at Providence St. Peter Hospital asked specific questions about the impact of medical debt on the hospital's patients. Patients from Providence St. Peter's are likely to be late on other bills because of medical debt, consider bankruptcy, and have their credit affected because of their medical debt, even though they are likely to be insured.

Average amount of debt	\$10,557.65
Late on other bills	42.4%
Credit has been affected	41.9%
Have considered bankruptcy	24.2%
Have health insurance	80.7%

The list prices for a normal delivery are between \$4,000 and \$6,000 more at Providence than at comparable hospitals.

The testimony of Tracy Mulcahy illustrates the impact of medical debt because of lack of charity care options.



My name is Tracy Mulcahy. I filed bankruptcy after receiving thousands of dollars of medical bills resulting from surgery at Providence St. Peter Hospital.

When I was diagnosed with a cholesteatoma cyst, I was a recently divorced single mother. We were a military family, and I had just moved to the US after having lived in Germany. I was trying to build a new life for me and my 2 year old daughter here in Lacey, was unemployed, struggling to pay our bills, and paying a high price for COBRA for our health insurance.

Cholesteatomas actively erode bone. This can cause nerve loss and deafness as well as severe imbalance and dizziness. I experienced facial nerve weakness and short term memory loss due to the severity of my illness.

Without immediate surgery, I certainly would have died. Even with the surgery, there were no assurances that I would live. I was advised to bring a prepared will with me to surgery.

As you can imagine, I was under a lot of stress and worried about my future as I was going to the hospital for my surgery. I was also very confused about what my insurance would cover and what it wouldn't. No

one from the hospital took the time to explain this to me, so I didn't have a clear idea about what in the end I would have to pay. I was certainly never told that, if I was unable to afford my portion of the bill, the hospital had free and reduced price care options to assist me.

Under the skilled hands two wonderful neurosurgeons, I had a successful surgery and I began my recovery. It was about 6 weeks before I could get up and walk around, but I was so grateful to be alive and able to refocus on the future with my daughter.

When I began receiving the initial bills after my surgery, at first I started to pay them. But quickly I learned that there was no way that I would be able to afford the bills that were coming in. Of the \$17,000 of bills for my surgery, my insurance company only paid \$9,000, leaving me with \$8,000. As a single mom, unable to work while I was recovering from surgery, I wasn't even able to afford the regular bills in my life, much less thousands in additional medical bills. I filed bankruptcy because I thought it was my only option.

My daughter and I have since built a successful life for ourselves. I work in the mental health field and I feel like through my work, I am able to give back to my community. But the bankruptcy on my record still causes difficulty in my life. I wish Providence had informed me about financial assistance options to address my medical debt without bankruptcy.

Of 165 respondents, only 38 said that they had been informed of charity care options, while 127 patients said they had not been informed of their right to apply for charity care.

MEANINGFUL ACCESS TO FINANCIAL ASSISTANCE

Charity care, or free care, is a program designed to ease the financial burdens of low-income, uninsured, and underinsured patients who need medical care but are unlikely to be able to afford their hospital bills. Low-income patients are eligible for this critical financial assistance program. Providence St. Peter’s has a written charity care policy. In response to testimonies and concerns expressed by community members, WCA has sought to determine whether people have meaningful access to financial assistance. To have meaningful access, people must 1) be made aware that a hospital financial assistance program exists, 2) receive assistance once they apply and qualify for the program, and 3) through access to the program, be able to avoid financial ruin resulting from hospital related debt. WCA’s research exposes concerns in each

of these areas.

A. NOTIFICATION OF FINANCIAL ASSISTANCE OPTIONS.

Washington Citizen Action found considerable evidence that Providence St. Peter’s is not providing adequate notification of financial assistance options. Of 383 patients of Providence St. Peter Hospital, 165 patients responded affirmatively when asked if they knew that Washington had a state law that “requires hospitals to provide free or reduced fee care to low and moderate income people.” However, of these 165 respondents, only 38 respondents said that they had been informed of charity care options, while 127 patients said they had not been informed of their right to apply for charity care.

Offering charity care information is the hospital’s responsibility. Patients and their families, who are likely in the midst of a health crisis, cannot be expected to be experts on hospitals’ complex billing and financial assistance systems. The following list indicates places where charity care information should be available to patients.

While Providence St. Peter’s has a brochure about charity care, no information is sent to patients by mail, either separately, with billing information, or with notification of collections action. Some patients are given charity care information when they specifically ask for it; however, an uninformed patient is unlikely to have any way of knowing the program exists.

"Did anyone from the hospital inform you of your right to apply for charity care?"	
Yes:	38
No:	127
Total Responses:	165

Necessary notification locations	Information at Providence St. Peter's?
Brochure on Charity Care	YES
Brochure on financial assistance options included in mailed billing statements	NO
Information sent with collections action notice	NO
Information included within patient rights brochure	NO
Does Providence St. Peter's have a system in place to monitor or confirm whether people have been notified of their charity care options?	NO

My name is Shon Conn, from Olympia, Washington. In January 2005, I was in extreme pain with an abscessed tooth. I went to the emergency room at Providence St. Peter Hospital. I waited for two hours. The doctor saw me for 2 minutes and prescribed an antibiotic and pain killers.

At the hospital I filled out paperwork that said I was uninsured, and I was told I was required to sign a form saying I would pay the bill. I was in so much pain, that I didn't feel like I had a choice but to be there, so I signed the form, even though I didn't know how I would be able to afford the bill. I was never told about financial assistance options. A while later, I received a \$1200 bill, which I can't afford to pay. It is now in collections.



My name is Chuck Onstott. I live in Lacey, Washington with my wife and my daughter, Katie. My wife has multiple sclerosis and is being cared for by Katie and me. In 2002 I took Katie to the emergency room twice, once for a spider bite and once for a twisted ankle. We don't have a primary care physician because we are uninsured.

The first thing I told the intake person at the hospital was that we didn't have health insurance. I asked about how to get financial assistance and suggested that it should be covered under the Hill-Burton Act because I was familiar with the Act from the 1970s

and 80s. I was told just to sign the form so my daughter could be seen. So I signed it, including the part that stated I was responsible for the bill. There was not an option to ask for financial assistance on the form and I wasn't given any information about how to receive help with the bill.

Six to seven months later I received a bill in the mail that threatened collections. I then received calls once every 2 weeks and harassed by bill collectors. I've been called a "cheapskate," and been told, "If you were a real man, you would pay your bills."

Believe me, if I could afford to pay, I would. But we live on an \$1100 per month income, over half of which goes to rent for our mobile home. We have no money in our bank account.

I don't understand why I wasn't given information or assistance in applying for financial help, especially considering that I specifically asked for it. Also, because we're uninsured, I understand that we can be billed the highest rates for care. That doesn't seem fair that those of us who are struggling to get by would have to pay the most for our care. If I can't afford health insurance for my family, I certainly can't afford a marked-up cost.

"That doesn't seem fair that those of us who are struggling to get by would have to pay the most for our care."

B1. CHARITY CARE AFTER COLLECTIONS ACTION. Not only did Providence St. Peter's fail to notify most patients about charity care options; in addition, many patients whose bills had been sent to collections reported that they have been flatly denied their right to apply for charity care.

*Washington Administrative Code: "Hospitals should make every reasonable effort to reach initial and final determinations of charity care designation in a timely manner; however, **hospitals shall make those designations at any time upon learning of facts or receiving docu-***

mentation, as described in WAC 246-453-030, indicating that the responsible party's income is equal to or below two hundred percent of the federal poverty standard as adjusted for family size. The timing of reaching a final determination of charity care status shall have no bearing on the identification of charity care deductions from revenue as distinct from bad debts."

Despite Washington Administrative Codes requiring that hospitals provide eligible patients with charity care at any time upon receiving documentation, WCA received many complaints of the hospital denying requests for financial assistance based on the fact that a bill was in collections. WCA investigated these complaints and armed patients with knowledge of the Washington Administrative Code sections covering duration of eligibility. This investigation revealed that many times patients were initially denied charity care if their bill was in collections; but that when they challenged unfair denials armed with full knowledge of State law, they were more successful in gaining access. According to financial counselors at the hospital, only in recent months has the hospital fully authorized them to pull any bill out of collections for a patient who qualifies for Charity Care.

This research suggests that, in order to ensure fulfillment of their legal obligation to provide Charity Care to all eligible patients, Providence must explicitly codify in its Charity Care policy, and reinforce through regular staff training, that patients have the right to apply for and receive Charity Care at any time, including after a bill has been sent to collections. It also suggests that when victims of high hospital bills and their supporters work together to challenge unfair billing and collection practices, together they have the power to hold hospitals accountable to the communities they are obliged to serve. The testimony of Misty Wright, a Providence St. Peter's patient, illustrates this shift in hospital practice resulting from persistent advocacy.

WCA received many complaints of the hospital denying requests for financial assistance.



My name is Misty Wright. I live with my fiancé, Wes, and my two children. Our family is struggling to get by. Health insurance is too expensive, and my children and I sometimes are covered under Medicaid, sometimes aren't. Wes has been consistently uninsured. Wes and I have a combined medical debt of over \$8,000 from emergency hospital care.

When Wes received care at St. Pete's in 1999, he was never told about financial assistance options for his bill, even though he is uninsured and told the hospital he had no ability to pay. Since that time, we have not had the income to pay the hospital bills and they have gone to collections.

In June of 2005, I learned about the Charity Care program through Washington Citizen Action. I went in to St. Pete's to apply for Charity Care and was told that it was too late to apply, because our bill was already in collections. I was also talked down to and asked why it took us so long to apply. I told them it was because we didn't know that Charity Care existed.

With the help of WCA staff, I researched the law around Charity Care, and found that the Washington Administrative Code states that we can apply for Charity Care "at any time." After following up with the financial counselor with this information, I was told that the hospital would pull the bill from collections and write off the bill. I called the collection agency, just to make sure they had pulled the bill. The

collection agency informed me that the debt was still there, accruing interest, and that as far as they were concerned, they were still going to collect on it.

After a number of times going back and forth with the hospital during which they changed their position on our case many times, St. Peter's finally did allow us to apply for Charity Care and receive assistance. But if I had accepted their first answer to my request for assistance and hadn't been so persistent, that bill would still be in collections today.

B2. REFUNDS IN CHARITY CARE CASES.

While Washington law requires that patients receive charity care even if their bill has been sent to collections, the Washington Administrative Codes also require that patients who are determined to have been eligible for charity care at the time of service, but who did not receive charity care, are entitled to a refund of payments.

WAC 246-453-020 states that *"In the event that a responsible party pays a portion or all of the charges related to appropriate hospital-based medical care services, and is subsequently found to have met the charity care criteria at the time that services were provided, any payments in excess of the amount determined to be appropriate in accordance with WAC 246-453-040 shall be refunded to the patient within thirty days of achieving the charity care designation."*

Despite this legal obligation, Providence St. Peter's patients who requested funds reported that the hospital failed to provide them. The testimony of Doris Durand reveals the failure of Providence St. Peter's to provide refunds. Doris Durand received and paid \$1000 in bills from Providence St. Peter's. She applied for charity care on May 19th, 2005, but she has not received a refund or notice.



My name is Doris Durand. I live in Yelm, Washington. My husband, Bob, was diagnosed in March of 2005 with cancer of the pancreas and passed away in June. The last months of Bob's life were not only difficult physically and emotionally, they have also been financially catastrophic.

In 2004, Bob had to go to Providence St. Peter's Emergency Room, where he stayed overnight and was seen by a cardiologist who performed some tests without much result. In March of 2005, Bob went to the ER again, and was very soon diagnosed with cancer and began chemotherapy. Both times Bob went to St. Peter's he said, "I'm on a fixed income. Take it easy on me," and asked if there was anything they could do to diminish the bill. For the first visit, the hospital arranged a \$75 per month payment plan. We trusted that the hospital would inform us what was available. So Bob paid them \$75 per month as arranged, totaling payments of about \$1000. The hospital never informed us that there was a program for free or reduced price care.

We certainly did not have the income to afford these medical bills. After Bob's diagnosis, we were paying more than Bob's entire Social Security income just on his weekly chemotherapy and drug regimen. We finally learned about the hospital's charity care program. We learned that we should be eligible for a write-off of our outstanding hospital bills and receive a refund for bills we had paid, within 30 days of being determined eligible. The financial counselor said that she was un-

aware of the hospital's policy on refunds. She said that she would inform the Regional Business Office and they would get back to me. She also said that I would receive a 100% write-off of our current bills, and that I would receive a letter in the mail confirming this.

It has been several months, and to date I have not received a letter, phone call, or any other notice from the hospital explaining the result of my request for a refund. I certainly haven't received back any of the hundreds of dollars that we overpaid, and desperately need. I did, however, a week or so after Bob's death in June, receive a new bill from St. Peter's.

It's like being backstabbed. I want to be able to trust my community hospital. As patients in our time of need, we can't be expected to be experts on the law and the hospital's policies. The hospital should facilitate the free care application process, guiding people and letting them know the information they need in order to obtain assistance. And, when we do apply, the hospital should at the very least follow the minimum guidelines laid out under law!

C. WHEN PEOPLE RECEIVE CHARITY CARE, IS IT SUFFICIENT TO PREVENT SIGNIFICANT MEDICAL DEBT AS A RESULT OF CARE RECEIVED AT PROVIDENCE ST. PETER'S?

Even patients who receive charity care are still subject to other bills and charges from their visit to the hospital. People may receive separate bills from each doctor or specialist (who may be contracted by the hospital, but are not hospital employees), and they may receive separate bills for ambulance services, lab work, and any follow-up outpatient care. In addition to pushing people into debt, these bills can also be extremely confusing to patients.

An uninsured person seeking care at a hospital should not be expected to be an expert on billing practices. Hospital billing offices, on the other hand, work with these complex billing systems every day, and should be available to offer guidance and assistance. A community hospital that operates with "special concern for the poor and vulnerable" should be able to facilitate the process of billing and financial assistance so that it

is less confusing for community members, particularly those who are uninsured.

The stories of Robert Haines and Janice Jones illustrate the debt, frustration, and medical risk that can arise from multiple hospital bills and inadequate access to charity care.



My name is Robert Haines. I'm a veteran living in Centralia, Washington. Since 1997, I have had at least 4 heart attacks. Despite my service to my country, now that I am in my time of need, I am struggling to get by. I have been uninsured since August of 1998.

Because I don't have health insurance, I often don't treat my medical conditions to the point that I should. However, I have been hospitalized a couple of times in the past couple of years for urgent care for my heart. In January 2005, I had a heart attack and had to go to Providence Centralia ER. After I got hooked up to an IV, I was told that I would need to be sent in an ambulance to Providence St. Peter's because they have a better cardiology unit. I attempted to object, saying that I could not afford the ambulance ride, but I was told that it was too late and I had to go. I was treated at St. Peter's and received an angioplasty and three stints in my heart. At St. Peter's I was given a charity care application, and later received notice from St. Peter's that they would cover the hospital portions of my bills. However, there was

a lot that the hospital free care program would not cover, including the cardiologist, the anesthesiologist, and the \$1,300 ambulance bill, which I couldn't afford to pay. Also, I just found out in July of 2005 that I have been turned over to United Collection Service by St. Peter's for nearly \$1,000, even though I was told that the hospital bills would be written off.

I am still being aggressively pursued by collectors for thousands in medical expenses resulting from my care at Providence. At times I get calls every day from collectors. It would be impossible for me to pay these bills off – it would take half of my yearly poverty level income!

Providence says it provides care regardless of your ability to pay, and that it operates with “special concern for the poor and vulnerable.” But if I still come away from care at the hospital with thousands in medical bills, I just don't buy it. There is a huge distance between the values stated in Providence's mission and its corporate values. I call it “the Hypocritical Oath.” If Providence truly wanted to live by its mission, it should cover all bills associated with hospital care under its charity care program.

My name is Janice Jones (pseudonym has been assigned upon request). My husband, Jim, and I live in Lacey, Washington.

Over the 4th of July weekend, in 2005, while I was on a camping trip, I began experiencing severe pains in my stomach and vomiting. I went to St. Pete's ER and found that I had an 80 pound tumor connected to my uterus and ovary. I had a hysterectomy and had it removed. I was in the hospital from July 4th through July 15th and I am still receiving follow-up care.

I lost my job as a home health worker in September of 2004 because I could no longer physically do the heavy lifting that was required. Since then, our only income is from Jim's work. Jim works two part-time, low wage jobs without benefits. Our rent is \$580 per month. Food runs \$400 per month. Car insurance is \$95 a month and gas is about \$100 a month. Electricity and phone bills come to a total of a little over \$100 per month.

Neither of Jim's jobs offer insurance and we can't afford to purchase it on our budget, so we are uninsured. We don't have any savings and our budget is very tight, so we have applied at St. Pete's for financial assistance with our hospital bills. However, we've learned that the hospital's charity care program won't cover all of the many bills we will be receiving, because they don't consider everything “hospital based services.” All of the surgery and other care that I received was coordinated by and based in the hospital. I don't understand why the bills should be any different.

I've received over \$10,000 in bills from eight different entities, which are excluded from the hospital's charity care program because they are from the surgeons and other physicians who operate in the hospital rather than from the hospital itself. Just these bills I've already received amount to over one-half of our yearly income! I don't know how we can possibly pay these.

IS PROVIDENCE ST. PETER'S PUTTING PROFITS BEFORE PEOPLE?

It is evident that Providence St. Peter's, a nonprofit community hospital, charges higher rates than most Washington nonprofit hospitals – and even some for-profit hospitals - and provides insufficient access to its charity care programs. As a result, low-income and uninsured patients of Providence St. Peter's are struggling with often severe medical debt that is forcing people to change their life plans, be late on other bills such as rent and utilities, and consider bankruptcy.

Another result is that Providence St. Peter's is making a considerable profit. In 2004, Providence St. Peter's profit – the hospital's total revenue minus all expenses – totaled more than \$16.9 million. Providence St. Peter's profit margin has grown steadily and rapidly over the past three years. (see chart below)

Profits, Profits, and More Profits for Providence St. Peters

	2002	2003	2004
PSPH Total Revenue	\$212,932,855	\$237,017,207	\$263,980,493
PSPH Net Revenue	\$7,767,335	\$13,157,030	\$16,947,436
PSPH Total Margin	3.65%	5.55%	6.42%

Someone is reaping the benefits of this profitability, and it is not the low-income and uninsured patients of the hospital. WCA decided to look at executive compensation within the Providence system. The four highest paid executives in the Providence Health System receive more than \$3.7 million a year in total compensation. Henry G. Walker, President and CEO, earns over \$1.4 million each year. (From 2003 IRS form 990 from Providence Health System – Washington.)

“I have been turned over to United Collection Service by St. Peter’s for nearly \$1,000, even though I was told that the hospital bills would be written off. “

Name	Position	Compensation	employee benefit/ deferred comp	Total
Henry G Walker	President and CEO	\$1,397,580	\$48,783	\$1,446,363
John F Koster, MD	Exec VP, COO	\$888,450	\$79,393	\$967,843
Jeffrey W Rogers	VP, General Counsel, Sec.	\$626,004	\$70,192	\$696,196
Mike Butler	VP, CFO, Treasurer	\$550,520	\$57,605	\$608,125
Total				\$3,718,527

While Providence is paying exorbitant salaries, its low-income patients are struggling under oppressive medical debt. A nonprofit hospital system that offers 1.4 million dollar compensation to its chief executive while overcharging its low-income, underinsured patients may be more motivated by corporate-style greed than by a “special concern for the poor and vulnerable.”

FINDINGS AND RECOMMENDATIONS

There is considerable evidence that Providence St. Peter's overcharges the uninsured, fails to provide meaningful access to its charity care programs, and puts profits before people. The following findings and recommendations could serve as guidelines if Providence St. Peter's truly intends to operate within its charitable mission as a nonprofit community hospital that operates with special concern for the poor and vulnerable.

BILLING THE UNINSURED

Finding: Providence St. Peter's charges the uninsured the highest rates for care. Despite the financial hardship and undue burden that it causes, an uninsured patient can expect to pay 27 percent more than an insurance company pays. Providence St. Peter's, a nonprofit hospital, charges more for services than comparable hospitals, including some for-profit hospitals.

Recommendation: Uninsured patients should be charged only for the cost of services, not the inflated mark-up costs that Providence St. Peter's uses to negotiate with HMOs and other insurance plans. For those patients who are eligible for reduced payments through charity care, those reduced payments should also be based on the cost of services, rather than the mark-up costs.

NOTIFICATION OF CHARITY CARE

Finding: Providence St. Peter's frequently fails to notify its patients of the availability of charity care.

Recommendation: Eligible patients should be automatically funneled into Providence St. Peter's charity care program. Patients cannot be expected to understand the complex billing and financial assistance options that the hospital offers, and notification of charity care is the hospital's responsibility. Every patient should be asked questions to determine potential charity care eligibility and offered an application for assistance. Because patients at the hospital are often more concerned with immediate health needs than with billing and payment options, the hospital should include charity care information and an application

with all hospital bills and notifications of collections action, so that patients have all options available to them when they are facing payment.

MEANINGFUL ACCESS TO CHARITY CARE

Finding: Many patients who qualify for charity care at Providence St. Peter's are not receiving adequate assistance. Providence St. Peter's is failing to provide meaningful access to charity care particularly for patients whose bills have been sent to collections, and for patients who have already paid their bills and are eligible for refunds of those payments.

Recommendation: People who are eligible for charity care should be taken immediately out of collections by the hospital billing staff. In addition, people who are eligible for refunds of their payments after their charity care eligibility has been determined should be given a refund in a timely manner, according to Washington Administrative Codes.

FULFILLING CHARITABLE MISSION

Finding: Providence St. Peter's retains above average profits even after spending part of its revenue on inflated executive compensation. It can afford to change its billing practices to provide fairer treatment to the poor and the uninsured.

Recommendation: Providence St. Peter's should use its profits to fulfill its charitable mission of operating with "special concern for the poor and vulnerable." Only hospital-based bills are covered under the hospital's charity care policy. Yet people leave the hospital with a range of other bills, including lab fees, bills from individual doctors and specialists, ambulance charges, necessary prescriptions, and others. These fees often far exceed many patients' ability to pay. To truly live by its mission, Providence St. Peter Hospital should use its considerable \$17 million profit to alleviate other bills associated with hospital care for its low-income, uninsured patients.

About the organization releasing this report

Washington Citizen Action (WCA) is a statewide, grassroots organization. With over 50,000 members, we are the largest consumer advocacy group in the state. We work on a range of issues with the broad aim of bringing about greater economic justice in our state and the country. Our board represents a coalition of groups, including labor, senior, faith, and community organizations. Our field and telephone canvasses do education, activation, and fundraising with our members. Our strength as an organization depends on our members' involvement.

Washington Citizen Action (WCA)

3530 Bagley Avenue North,
Seattle, WA 98103

Voice: (206) 389.0050

Fax: (206) 568.5444

Web: <http://www.wacitizenaction.org>