

Detroit Free Press Article - Hospital Free Care

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FREE PRESS SPECIAL REPORT

DO HOSPITALS OFFER ENOUGH FREE CARE?

They get billions in tax breaks in exchange for doing charity work, but many still drag their feet on offering it

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Vivian Glenn of Detroit fretted about the \$5,000 she owed to Detroit Receiving and Harper University hospitals.

The bills demanded that she call to arrange payment, making no mention of the free care available to low-income people like her, a single mother who cares for a 21-year-old daughter with cerebral palsy.

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Unable to pay and fearing she would be denied future care, Glenn, 49, ignored the bills for nearly four months, until she asked the hospital to send forms to seek free care after she talked to a reporter about her case.

Though U.S. hospitals provide billions of dollars worth of free care, stories such as Glenn's are among the issues that are putting nonprofit hospitals and their tax-exempt status under scrutiny as never before in an important debate for Michigan and the nation.

State Sen. Hansen Clarke, D-Detroit, U.S. Sen. Chuck Grassley, R-Iowa, and activists around the country are among those asking whether health systems provide the level of charity care they should to deserve \$12.6 billion in tax exemptions nationwide each year. Michigan hospitals receive at least \$600 million in breaks.

Critics point to high bills sent to people like Glenn, lack of publicity about charity care, long waits at community clinics and hospitals' flights to the suburbs, where costly, state-of-the-art facilities are being built to cater to insured patients.

Hospitals say the exemptions allow them to fill a critical need in the health system as employers reduce or stop health benefits and, in Michigan, unemployment remains high, at 7.5% in September.

At Harper hospital, for instance, Loretta Pickeral of Livonia had the opposite experience of Glenn. She received more than \$120,000 in free care from Harper, including an amputation of a toe because of diabetic complications.

Michigan's nonprofit hospitals say their annual bill for uncompensated care reached \$1.7 billion this year, up from \$883 million six years ago. What some hospitals count in that total is criticized in some quarters, and no standards exist about what should be included.

Hospitals are required to provide an unspecified amount of free care to keep their federal and state tax exemptions. But Michigan stopped requiring hospitals to file reports with the state in 1975, deferring to the Internal Revenue Service.

The IRS, which is conducting a major review of its rules, requires hospitals to file a yearly statement, but demands little detail about charity care. It has never revoked a hospital's nonprofit status for failure to provide free care.

Twenty-five community groups, under the leadership of the Boston-based Community Catalyst, want to require hospitals to spend at least 5% of revenues or operating expenses on free care, whichever is greater.

"Nonprofit hospitals receive enormous advantages through tax breaks, and we believe that those health care institutions should be clear to the community about the specific financial assistance programs and community benefits provided in exchange for these significant tax benefits," said Susan Sherry, deputy director of Community Catalyst.

Hospitals want to keep filing requirements as they are, calling such proposed changes burdensome.

Clarke plans to introduce legislation this fall to make nonprofit hospitals more accountable to the public. A minimum requirement for charity care is one proposal under consideration.

Clarke represents the east-side Detroit neighborhood where the Warren-based St. John Health closed its Detroit Riverview Hospital on June 30, with \$23 million in annual losses for the 2007 fiscal year.

An emergency center, imaging services and doctor's offices remain at the site. St. John is working with community groups to expand programs on the Riverview site to possibly include senior housing, an educational conference center, social service offices and more.

At the same time, St. John is building a \$224-million, 200-bed hospital in Novi, which is to open next year. It got legislative approval to build that hospital with promises to keep its commitment to serving Detroit's poor.

"I just want to be sure every hospital provides the value of the tax break it receives," Clarke said. "There should be free care or discounted health care for those who can't afford it."

Charity care underpublicized

The Michigan Health & Hospital Association, a Lansing lobbying and education group for 146 nonprofit hospitals in Michigan, strongly opposes requirements to set aside minimum percentages for free care.

It estimates the value of charity care and community health benefits provided by its hospitals at \$1.7 billion, and says they could not provide as much care if they had to pay taxes.

The figure includes much more than free care; it also factors in unpaid medical bills and losses from Medicare, spending the Catholic Hospital Association says should not be used to measure charity care.

The hospital association agrees more should be done to publicize charity care. It has encouraged members to post policies more clearly, said David Seaman, executive vice president.

Many hospitals do not widely publicize free care. Many programs are maxed out and don't take new patients, and whether a patient gets free care may depend on how the person was admitted.

Someone coming to the emergency department first likely won't get an application for free care or Medicaid because of the urgency of the situation, said Jay Rising, chief financial officer for the Detroit Medical Center.

That explains the difference in what happened to Glenn and Pickeral, Rising said.

Glenn was admitted twice to DMC hospitals after going to the emergency department; Pickeral's surgery was arranged in advance after her doctor helped her apply for free care and she filled out forms to have DMC check if she qualified.

While hospitalized, a DMC social worker helped Glenn fill out an application for Medicaid insurance, which still is pending, Rising said. Should she qualify for Medicaid, "we may wipe out what's owed, retroactively," Rising said.

Since many clinics and doctors providing free care are full, patients with less urgent needs may wait, particularly to see a specialist.

Novi-based Trinity Health gives \$2 million a year in support for the Mercy Primary Care Center, on the site of the now-closed Samaritan hospital on Detroit's east side. It serves 1,300 uninsured adults. It can't take any more patients until Nov. 1, when it reopens enrollment.

"We get about 30 calls a day," said Aisya Williamson, the clinic's executive director. "There aren't enough resources out there."

St. John Health, Warren, also offers a clinic for the uninsured at its Conner Creek facility, the site of its closed Holy Cross Hospital in northeast Detroit and an emergency department on the site that sees 22,000 patients a year.

"We're serving a lot of people, but we can't do a big public shout-out and have more people show up than we can serve," said Cynthia Taueg, vice president of community health programs for St. John Health.

If anything, hospitals "haven't done a good enough job telling people what we do," said Bob Hoban, senior vice president for strategy at St. John.

Critics point to other problems, including:

- Uninsured patients may pay as much as 2 1/2 times that of insured patients, several national studies have found. Many are unaware that hospitals might be willing to write off as much as 75% of a bill for people with limited income.
- Aggressive hospital billing practices. In Connecticut and New York, patients facing big hospital bills have lost homes to foreclosure, spurring laws to require hospitals to notify patients of free and discounted care policies.
- High salaries and compensation given to top hospital executives -- which can be more than \$2 million a year.

Hospitals say the salaries are needed to attract top managers.

For profit or not for profit?

By definition, for-profit hospitals return profits to owners. Nonprofits put earnings into charity care and community programs. The distinction is fuzzy. Some hospitals even use the term "profit" to describe earnings, as the Detroit Medical Center does on its Web site, announcing its "fourth straight profitable year" in 2007, after six years of losses.

All of Michigan's hospitals are nonprofit, but are aggressive competitors, jockeying for prime locations and patients.

Public health advocates fear that the flight to the suburbs by hospitals and doctors will continue, as hospitals move operations to sites with the best-insured customers.

Two large new hospitals will open in Oakland County: a \$300-million, 300-bed hospital in West Bloomfield for the Henry Ford Health System, opening by 2009, and St. John's Novi hospital.

"The way our health care system is structured now, doctors and hospitals make money on the number of procedures they do on insured patients, particularly well-insured patients," said Sister Mary Ellen Howard, a former hospital administrator and director of the Cabrini Clinic in Detroit's Corktown neighborhood.

"That's why they are building hospitals in Novi and West Bloomfield.

"The system is not set up to reward institutions that help make people healthy; there are no financial incentives to do that," Howard said.

She is cochair of the Primary Care Network Council of the Detroit Wayne County Health Authority, a committee of primary care safety net providers in Detroit and Wayne County. Hospitals, even congressmen, refer people to her clinic. She throws up her hands in frustration over opposition to universal health care in the United States.

Some weeks, the clinic turns away patients because it can see only the first 25 people who line up.

People like Glenn, the Detroiters with high medical bills, line the clinic's waiting room. Many have unpaid medical bills, and collection agencies call some of them monthly. They never mention charity care policies, Howard said.

That's why some hospital critics, like Alan Sager, professor of health policy and management at Boston University, say scrutiny of tax exemptions doesn't go far enough.

"They are a sideshow but powerful indicator of what's wrong in hospitals and health care in the United States," he said. "It's a sideshow because only a small percentage of hospital revenue is involved" with charity care and community programs, compared with overall spending for health care, he said.

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