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Exempt Organizations

Grassley Seeks Answers From Charitable Hospital on Billing Practices

A letter from Sen. Charles E. Grassley (R-Iowa) demanded that a Missouri nonprofit hospital explain whether it uses aggressive billing and collection tactics to recover treatment costs from low-income patients.

The hospital, Mosaic Life Care in St. Joseph, Mo., made \$45 million in profit in 2014 despite its nonprofit status, while suing its low-income patients for “millions of dollars they could not afford,” Grassley, chairman of the Senate Judiciary Committee, said in a statement issued Jan. 22.

The hospital's practices appear to put it in violation of the law, and to call into question its nonprofit status, Grassley said in a Jan. 16 letter to Mark Laney, president and chief executive officer of Mosaic.

John R. Washlick, with Buchanan Ingersoll & Rooney PC, in Philadelphia, said that, along with the newly promulgated Section 501(r) regulations, the development is a good reminder to nonprofit hospitals that they should review their current policies and procedures to make sure they are in conformity with the new regulations.

“I think it is always important when Sen. Grassley is investigating,” Washlick said. “Exempt hospitals must not forget that Sen. Grassley is looking for quantifiable information, that the IRS could not provide in the past, to support continued tax exemption for hospitals, whether it would be through non-compliance with 501(r) or other information now gathered as part of revised Form 990 and Schedule H.”

ACA Requirements. The senator's letter mentioned “additional requirements for nonprofit hospitals that I authored were enacted into law in 2010,” a reference to the Affordable Care Act and requirements that were codified in Section 501(r) of the Internal Revenue Code.

The Internal Revenue Service issued final rules (T.D. 9708) in December 2014 on ACA requirements that charitable hospitals conduct community health needs assessments and provide information on financial assistance to their patients (24 HLR 39, 1/8/15).

The letter asked Laney to provide information concerning the hospital's billing and collection practices, the amount of money it has collected since 2009 from patients with delinquent accounts, the amount of charitable care it provides and the efforts it makes to inform patients of their eligibility for financial assistance.

“Non-profit hospitals are obligated under law to have a financial assistance policy and alert those who can't afford care of any assistance they qualify to receive,” Grassley said in the statement. “Occasionally, a hospital seems to go out of its way to avoid helping the poorest patients. When these cases come up, the hospitals should explain their practices and how they comply with the spirit and the letter of the law. It's a matter of accountability for the tax breaks they receive.”

Hospital Response. In a statement, Tracey Clark, a Mosaic spokeswoman, acknowledged that the issues of medical debt and wage garnishment were “serious,” and said that the hospital will respond in an “appropriate and timely manner” to Grassley's inquiries.

Hospital officials have created a task force to examine its billing and collection practices, she said.

“Mosaic Life Care's charity care and community benefit measures far exceed IRS requirements and closely mirror the community benefit in which Senator Grassley advocates,” Clark said.

The total cost in 2013 of uncompensated care, including charitable care and bad debt, to the nation's nearly 5,000 community hospitals was \$46.4 billion, according to a fact sheet released Jan. 23 by the American Hospital Association. Uncompensated care made up around 5.9 percent of hospitals' total expenses, which was very close to the average percentage over the past 30 years.

'Abusive' Practices. In the letter to Mosaic, Grassley referred to recent news reports describing instances in which Mosaic failed to identify patients who qualified for financial assistance, and then subjected some patients to “abusive” billing and collection practices.

The practices “appear to be extremely punitive and unfair both to low income patients and taxpayers who subsidize charitable hospitals' tax breaks,” he said.

The news reports were published by ProPublica, an independent nonprofit news service, Grassley said.

Grassley said in the letter that nonprofit hospitals are required to offer a community benefit in exchange for their tax-exempt status, and that new rules for nonprofit hospitals require hospitals to create financial assistance policies, and restrict their use of some billing and collection practices.

According to the news reports, Mosaic used an in-house for-profit collection agency, Northwest Financial Services. When patients failed to pay their bills, the agency filed lawsuits against those who didn't pay in full, Grassley said. Between 2009 and 2013, the hospital filed 11,000 lawsuits against patients and garnished the pay of around 6,000, he said.

Lawsuits Against Patients. Mosaic has sued more of its patients in recent years than any other Missouri hospital, Grassley said.

Most of the patients sued by the hospital were uninsured and eligible for financial aid, Grassley said. But many were charged full price for their care in addition to fines and late fees, he said.

A company spokeswoman said that the hospital reserved charity care for patients who sought it and who worked with the hospital, Grassley said. But that policy would put the hospital in direct contradiction with the law, which requires charitable hospitals to create a publicly available financial-assistance policy, and to make reasonable efforts to determine if a patient is eligible for financial assistance before engaging in extraordinary collection efforts against them, he said.

Grassley acknowledged the hospital's announced intention, in the wake of the ProPublica news story, to review its billing and collection practices.

Questions About Billing Practices. But Grassley also asked the hospital a series of questions, including:

- How much money, broken down by year, have Mosaic and Northwest collected from delinquent patients since 2009?

- How many of those patients were eligible for financial aid?

- How much charitable care was provided by the hospital per year since 2009, broken down by year and by programs and services provided?

- How does Mosaic determine whether to refer a case to debt collection?

- What efforts does Mosaic make to determine whether a patient is eligible for discounted care or financial assistance before engaging in collection efforts?

- How have Mosaic's financial assistance, billing and collection practices changed since new rules took effect in 2010?

- Has Mosaic fully implemented all changes that are required by law?

Grassley requested that the hospital provide its answers by Jan. 30.

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Grassley's letter to Mosaic is at <http://op.bna.com/hl.nsf/r?Open=psts-9tcrjd>. A statement issued by the senator's office is at <http://www.grassley.senate.gov/news/news-releases/grassley-seeks-answers-non-profit-hospital-over-billing-lawsuits>.