Legislators say they'll press hospitals on charity care, sales tax exemption

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U.S. Sen. Chuck Grassley, the most influential member of Congress on nonprofit issues, says most hospitals in North Carolina need to do more to help poor and uninsured patients.

Grassley, an Iowa Republican, was responding to articles by The News & Observer and The Charlotte Observer last week that found that most hospitals in the state spend less than 3 percent of their budgets on charity care.

"I don't think they're doing enough," Grassley said.

The newspapers' investigation, "Prognosis: Profits," also found that some Triangle hospitals are making record profits, piling up huge cash reserves, marking up prices of drugs and procedures. Around the state, 25 hospital executives were paid more than $1 million in 2010 or 2011.

The investigation also found that when uninsured patients can't afford to pay their bills, most North Carolina hospitals pursue them with collections agencies or lawsuits.

A North Carolina watchdog group, meanwhile, plans to pressure on Carolinas HealthCare System, based in Charlotte, to stop suing patients. The newspapers found that North Carolina hospitals filed more than 40,000 bill collections suits over a five-year period. Most of those were filed by just two entities – Carolinas Health Care, a multibillion-dollar system with 30 hospitals, and Wilkes Regional Hospital, a single hospital managed by Carolinas HealthCare.

Adam Searing, director of the N.C. Health Access Coalition, called the more than 12,000 suits filed by Carolinas HealthCare "staggering." He said his group will pressure the system to stop the practice, either by staging a protest in Charlotte or pushing for legislation.

"I see this as a moral issue," Searing said. "It is immoral to do what they do. … Their balance sheet adds to the argument they should not be doing this. It would be easy for them to do the right thing."

Most North Carolina hospitals don't sue patients, and at least one top hospital official, Cecilia Moore, the chief operating officer at Duke University Medical Center, called the practice "very old school."

A shocked senator

The newspapers' findings have outraged many North Carolinians, including some in positions of power.

Sen. Bob Rucho, co-chairman of the state Senate Finance Committee, has been irritated with hospitals since his son's recent nasal surgery to improve his breathing. It was an outpatient operation that took less than five hours. Rucho said he was stunned by the $27,000 bill.

"I told them, 'You guys need to find a way to control those costs,' " the Charlotte Republican said.

Rucho said he'll consider whether large hospitals deserve their exemption from sales taxes, which returns about $200 million a year to hospitals statewide, most of it to large hospitals.

Rucho said the Senate would likely review that in the 2013 session, when Republicans plan to overhaul the tax code. A colleague in the state House, Republican Dale Folwell from Winston-Salem, introduced legislation last year to require that large hospitals pay some sales tax.

The bill died quickly following lobbying by the N.C. Hospital Association, which argued the move would increase health insurance premiums.

Folwell wants to return to his proposal to cap sales tax refunds for large nonprofits. His proposal would let state and local government keep an extra $100 million from 28 hospitals and six universities or colleges.

Hospital lobbyists bottled the bill up in committee, and it never got a hearing.

"People are shocked that big nonprofit hospitals get all their sales tax refunded ... but the public schools don't," Folwell said.

Mistaking their mission?

Charity care – free or reduced-price care for the poor or uninsured – varies widely among North Carolina hospitals, with some spending more than 13 percent of their budgets to provide free care and others spending less than 1 percent. No federal or state rules dictate how much charity care a hospital must provide.

"It tells me some (hospital) boards of trustees know what their mission is – and others don't," Grassley said.

Nonprofit hospitals in North Carolina don't pay sales tax, property tax or state and federal income tax. The newspapers estimated those exemptions to be worth more than $800 million annually. In exchange, the hospitals are expected to give back to their communities, largely by providing care to those who can't afford it.

Grassley noted that some for-profit hospitals are providing more charity care than nonprofit hospitals – and aren't even receiving tax exemptions. And many nonprofit and for-profit hospitals pay their CEOs comparable amounts.

"Today, there's not much difference between nonprofit and for-profit hospitals," Grassley said.

Grassley said he hopes new provisions in the federal Affordable Care Act, now under review by the U.S. Supreme Court, will encourage nonprofit hospitals to act more charitably.

But if hospitals don't improve in coming years, Grassley said, "we'll set a very definite benchmark" about how much charity care nonprofit hospitals must provide.

Seeking transparency

Some leading North Carolina lawmakers, meanwhile, are talking about steps to make it easier for patients to find key information about hospital pricing and charity care.

Rep. Tricia Cotham, a Matthews Democrat, said she has received numerous emails and Facebook posts from constituents. "This is great to bring these things to the forefront, and start this discussion that needed to be started."

Cotham said she's interested in legislation proposed by U.S. Rep. Heath Shuler of Waynesville to ease the damage that medical debt can do to a person's credit rating.

Folwell said the General Assembly also should make hospital costs more transparent and accessible.

"The average person doesn't understand the bills and explanation of benefits they receive in the mail," Folwell said. "When you are trying to determine the best place to go, your ability to get prices is zero."

The U.S. health care system is complex, Folwell said, and fixing it won't be easy.

"This problem is like marbleized meat. Every single good thing has a regulation or piece of fat attached to it, driving down access and driving up cost."

COMMENTS

Judith

End their exemption from PROPERTY taxes. We pay higher property taxes on our middle-class homes because their multimillion-dollar properties don't pay property taxes, all so they can charge more per one aspirin tablet than Walgreens charges for an entire bottle of aspirins - and we vote.

roi

'Non-profit' as applied to healthcare is an oxymoron of the highest order.

Dr. Mary Johnson

www.drjshousecalls.blogspot.com

". . . some (hospital) boards of trustees know what their mission is – and others don't.

That pretty much says it all, roi. Some hospitals take their missions very seriously. Some are run like Enron. But don't count on NC legislators doing ANYTHING about it. I've spent 14 years writing letters and sending e-mails to politicians - begging for help - and I can assure you that they aren't going to do ANYTHING that messes with whatever cabal keeps them in power.

The picture of Billy Pully (of the NC Hospital Association) and Bev Perdue that ran with one of these articles was PRICELESS.

A big part of the problem is that the politicians' morals/ethics are just a low - if not lower than the non-profiteers who need policing. Sleazely. Edwards. Black. All "public servants" I asked for help.

contrariwise

"U.S. Sen. Chuck Grassley, the most influential member of Congress on nonprofit issues, says most hospitals in North Carolina need to do more to help poor and uninsured patients."

What I'd like to know is what Sen. Chuck Grassley -- an influential member of Congress -- plans to do the HELP poor people GET insurance?

All he's done so far is oppose ALL attempts to make health care insurance affordable for the working poor -- especially those who do not get insurance through their employer.

Frankly, I am offended by the hypocrisy of Sen. Grassley; however, the lazy journalism that paints opponents of helping the working poor as "concerned" about the plight of uninsured patients is even more galling.

RoroCA

I am glad it is finally coming to the surface the high prices we are paying for services. And we had 25 executives that made a million a year. Talk about a good old boy network with no competition. I guarantee any sort of step towards reform will be met with statements like premiums will go up, or health care will go down. Meanwhile we have people making a million dollars a year off our health. And on one last note, who can forget the debt collector who was reported not to pay taxes on his jets. He was a medical collector if memory serves me correct. A disgusting system through and through

whoodathunk

@Manyes: Please reconsider. A hospital need only treat urgent conditions, which means if you have a chronic health issue that is not immediately urgent you will not be treated unless you wait for it to become an emergency. How can that be cost-effective? Of course it isn't. Hospitals, insurance companies, drug companies, etc. are getting rich feeding off our system like leeches. We already pay double the portion of national income that other countries pay for health care. Our country is bearing double the cost of socialized medicine without the benefits, which are going to the few who are gaming the system at the expense of everyone else. The outrageous premium we pay for health care -- both from private and public funds -- is reducing our competitiveness, diverting money that could be invested in productive private enterprise. It is well past time to fix this problem but every time anyone tries to fix it the health care industry buys off our politicians and spreads lies about how "we" won't get health care if "they" get it too. This has been going on for at least 40+ years.

CatHouseGarden

Yes, I know about the "separation of church and state." However, perhaps it is time to revisit this issue.

As with hospitals, churches pay no property tax,yet many sit on very valuable property and contribute very little to "real charities," certainly not those that benefit their local communities.

BTW, many churches are for profit institutions.

REDSTATE

Getting tax breaks as a non profit when you are storing up profits should automatically remove you from that tax exempt status.

Also, remove the CON conundrum, which is nothing but a "pay-o-la" scheme for the attorney's and politicians involved in "wetting their beaks" in the healthcare market.

tboard47

"I told them, 'You guys need to find a way to control those costs,' " the Charlotte Republican said.

This has nothing to do with "costs", it has to do with charges.

This is one of the problems- our elected individuals do not know what they are referring to and the Hospitals take advantage of it.

Example- If you do not like the cost of a car you are thinking of buying- you do not say to the salesman you have to "control your costs". When you mix these words , cost and charges, you get mental distortions, exactly when the hospital managers want you, confused and impotent.

Kill the CON law and let competition take care of this mess- it cannot get much worse

awsmview

No buddy is addressing the Cause, only the effect of health care cost$$!

Until that happens we will see MORE people lose health care or delay health care check ups and or treatment.

Wait until 2024 and the Medicare's hospital insurance trust fund becomes INSOLVENT. $535 BILLION plus will be lost in Medical Spending.

Will the United States Health Insurance Industry in its present form forever change or should I say downsized to be politically correct.

The vast Majority of Americans will be left high and dry to DIE for lack of health care.

Judith

Insurance is the problem - not the solution. If the hospitals had to count on payments from patients, they'd charge what patients actually could afford - rather than grossly-excessive billings such as $5 per aspirin tablet when a whole bottle of aspirins costs less retail at Walgreens.

charleo1

First, we as a Country must decide. Is healthcare a privilege or a human right?

Second, this is not a budgetary question. It is a moral one. And an urgent one.

It is estimated 50,000 Americans die each year for lack of access to preventative care. 50 million of us are uninsured at any given time. This is why the first question is so important. If healthcare is a right, no amount of browbeating hospitals to provide indigent care will suffice. As the costs of medical insurance increases with each uninsured person, and every premium increase causes more uninsured, we, as Country are reaching a kind of critical mass. One that is already closing many community, non-profit hospitals. To say to the corporate for profits, you must provide more charity care, because we want to cut the amount of Medicaid dollars at both the Federal, and State levels, in the face of an exploding uninsured population, is not the moral answer. In fact, it is no answer at all. To say as Sen. Bob Rucho did, after seeing a $27,000 bill for an outpatient procedure, "You guys need to

find a way to control those costs." Is like the fireman who shows up and says, somebody needs to do something about this raging house fire!

uBnice

It is a difficult and complex problem. Services cost money and someone must pay. Healthcare is only a "right" when there is money that can support that "right".

Since this country clearly has the money, then I think that it is our moral obligation to provide some type of support for those that do not have. A baby born with clef lip to a poor family, ok, let's help. A gangster shot and no insurance, well, I struggle with my morality there.

charleo1

I hear you. Doing the right thing is seldom the easiest thing. And, of course, the criminal will receive top notch healthcare as long as he/she is incarcerated. Life is seldom fair. But the most compelling cases to me are the much larger group. The families with children, trying to do the right thing. Buying a home, saving for the kid's education, a bit more for their own eventual retirement. Then disaster can strike thru accident, or illness. Unable to work, the insurance goes away, and the hospital bills take the home, and savings. I've got to believe in America we can, and must do better. Also there is the situation where we in this Country pay three times as much as other comparable countries, with poorer results overall than most with a more Socialistic approach. I realize that is a four letter word here in America. And I can understand the concerns. But, as a Christian I cannot support a system that denies care for the lack of the ability to pay for it. We are not there yet. But I believe that day is quickly approaching. Of the question of what Jesus would do, I don't think there is any doubt. The question is, do we care enough about doing what we know Jesus taught to find a way to fulfill His ommandments?

bamorris

Charle, Since the last report from Scientific America states that approximately 200,000 deaths per year were caused by medical mistakes perhaps since only the 50,000 deaths from no hospital care represents 25% of this number it makes on wonder about our health care system. Just like everything else happening in America, greed drives the system and gov't thinks they can do the job better than anyone else (even though experience dictates otherwise).

Also keep in mind that many with insurance are directed to "in network" facilities where their secret contracts set prices that are not revealed.

My personal experience is that prices are ridiculously inflated and the care is very impersonal. As a patient in local hospitals in Raleigh I have felt more like a "carbon unit" than an emotional human being in pain.

IMO we need much more than having hospitals give more charity care.

charleo1

I see you are a Vet. So first, let me thank you for your service to the Country. The 50,000 deaths represent the estimated number of preventable deaths cause by untreated chronic conditions such as high blood pressure, leading to stroke, diabetes, without proper maintenance, leading to a wide variety of avoidable problems. High cholesterol, leading to heart disease. And so forth. The reality is, the people without regular access to a doctor are

often much sicker, and require more treatment, with longer in hospital stays than their counterparts with ready access to healthcare.

It is interesting to me to note the people who die younger cost the Medicare/Medicaid system 70% more than those living into their nineties, and above. The lesson is, losing one's health early thru poor maintenance, costs everyone more in the long run. As to the impersonal care, I can totally relate! The Affordable Care Act contains a patient's bill of rights. Perhaps not a cure all, but a start.

As patients who have a positive outlook tend to respond to treatment better. And recover more quickly than those who don't. As far as the debate about private insurance versus public, or govt. plan.

I am conflicted. But it should be mentioned a large part of the costs of private insurance is due to the increasing costs of caring for the uninsured. Simply put, we must have one way or another more, especially the young and healthier participating in the system.

bamorris

Charle, I was a Hospital Corpsman in the Navy for 10 years so I have some medical knowledge and experience. I believe that our approach to health care in America is very antiquated and inefficient.

When I was in the Navy I was certified to be the only medical person on a ship that might have 500 or more sailors. When I worked in a hospital I performed many procedures (e.g., starting IV's, inserting NG tubes, dispensing meds, etc.) but when I left the Navy I found out that there was no place that my years of experience would allow me to continue in medicine. I couldn't even be an EMT unless I had a Red Cross First Aid card! Of course this was 30+ years ago, but I doubt that it has changed much. Because the medical community is too interested in protecting their income stream to consider any changes.

You talk about chronic diseases like diabetes. Both my wife and I are diabetic and if there is any great advantage of visiting a doctor to manage our blood sugar it has absolutely escaped me. It seems that today you go to see a doctor but see a "Nurse Practioner" or "Physician's Assistant" even though you are charged the physician rate for the visit. I'm not saying that these professionals are not good, but are there to allow the doctors to increase the revenue stream.

Why can't we create a screening clinic manned by medical personnel who are not MD's with an MD available for consult if needed. That's the way it worked in the Navy. It would give a more cost efficient alternative to the ER for non-critical uninsured patients. And I am sure there are many other things that could be considered if there were an incentive to create a group who can think "outside the box."

As for the cost of insurance, it isn't the insurance company's fault that the rates increased but rather the fact that the medical community has inflated their costs to "shift cost" to the insured.

charleo1

Excellent ideas. See, all it takes is some common sense, and no incentive to protect the status quo. As you mentioned your experience in the Navy not translating to a civilian position. I heard a Vet on T.V. this last week, say exactly the same thing. The fact that Veteran unemployment is 17/20% is, I think an outrage. Some employers are not even

keeping the job open for when they come back from deployment. It's not acceptable in my book!

Manyes

I am interested in this series insofar as it exposes the myth (if I am reading this correctly) pushed by the O-man that somehow being uninsured means not getting health care. So, if I understand this correctly, all the horrific images pushed on us in support of O-care to insure everyone have been wrong? So, should we really be focusing on those folks who actually do not get care (a much smaller number than the number of uninsured)?

I understand that when a hospital does provide care to someone who will not ultimately pay, the hospital must seek to recoup those costs from somewhere. Otherwise the hospital won't be there for us (the insured). This is an aspect that was not evident during the O-care debate. Of course, I won't hold the N&O responsible since they were doing what they were supposed through that debate - obfuscate the facts.

notmd

Why do we believe more charity care is the solution to tax exemption?..charity care harms the patient long term and don't we want people who be covered to be enrolled in medicaid . The more charity care we give the less chance people will enroll and have a primary care physician.They continue to use the emergency which is fine for the short term but what about long term of the patients. The real solution is to give hospitals the power to enroll patients in Medicaid under presumptive eligibility with proof. This will reduce the amount that patients will be liable for and get the patient into the right path for their health care. I can understand that states don't want to give up this power. More enrollment means more payout however by forcing hospitals to absorb more charity ,they have made hospitals the insurer of last resort..also remember the federal government also kicks in a pro potion for Medicaid so they like the term charity care.

notmd

Senator Grassley,

This may sound unconventional but I believe charity care is bad for the patient. It is like a drug that you could overdose on.

1) Tell me which hospital is doing the right thing for the patient. Hospital A provides over 5 percent of net revenue to charity however they have very low enrollment rates into community medicaid . Hospital B provides less than 5 per cent but invest in staff and systems to enroll much more patients than hospital A. Sure the more charity care will take care of an episodic visit however being on Medicaid will long term improve the quality of care and reduce costs.

2) Today hospitals are buying software that allows them to write off early charity care accounts . These same patients could have been enrolled however the process is much more costly and it removes the press from questioning your charity care.

3) States could provide the authority of hospitals to declare presumptive eligibility however the states realize this would be higher costs for them and why not let the hospitals absorb the charity care.

4) Patients like more charity care because they can continue to use the emergency room,receive no bills and not have to apply for Medicaid. Not much of an incentive to enroll.

Senator, the unintended consequences of too much charity has the potential to push more non-profits over the edge and there goes the tax collections . Our emergency room will continue to be over utilized . And the worse part that patients start to believe charity care is insurance.

Judith

A "charity" is exactly that - something NOT requiring payment for services. The Internal Revenue Service ruled that quite a while ago in the context of whether payments to the Church Of Scientology for its quasi-psychotherapy course could be deducted as a "charitable gift."

A "charity" is a church or synagogue - where you can go and pray without paying any fee, where users don't get billed let alone have their bills turned over to collections agencies or sued over.

kinalas

House Bill 888 needs a fair hearing and see the light of day outside the House Fiance Committe. Pass HB888 in the House and get a companion Bill started in the Senate.