

Hospital Charity Care Is Probed

Investigators Find Nonprofits Overcharge or Deny Services

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September 13, 2006

Nonprofit hospitals routinely overcharge or deny care to patients least able to pay, Senate investigators have found, raising questions about whether the institutions should be eligible for tax exemptions that cost the U.S. Treasury billions of dollars a year.

Many of the hospitals that say they offer charity care -- meaning free or at reduced prices for low-income people -- fail to inform patients about such assistance, Senate Finance Committee staff members found after a 15-month review that included an in-depth survey of 10 nonprofit hospitals.

The investigators found that while federal law requires charity care in exchange for tax-exempt status, a 37-year-old IRS rule implementing the law is so vague that nonprofit hospitals have been able to exploit it by offering some free services but often little aid to the poorest people in their communities.

Nonprofits frequently charged higher prices to poorer people with no health insurance than they did to better-off patients who had coverage, researchers found. At the same time, many of the hospitals' top executives enjoyed generous perks such as paid country club memberships and stays at expensive hotels.

"Non-profit doesn't necessarily mean pro-poor patient," Finance Committee Chairman Charles E. Grassley (R-Iowa) said in a statement yesterday. The committee plans to focus on the findings today in a hearing examining whether nonprofit hospitals provide sufficient community benefits, including charity care, to justify their exemptions from federal tax and from most state and local taxes.

The hearings also will focus on the lack of standards for community and charity care, and inconsistent reporting requirements, which Grassley says makes it impossible to accurately measure if nonprofit hospitals are fulfilling their obligations. Some hospitals say they fulfill their obligations by offering free eye and breast exams. Others count bad debts as charity care.

The Senate staff members found that some for-profit hospitals provided "as much if not more charity care than some non-profit hospitals," Grassley said.

More than 3,000 of the nation's approximately 4,900 hospitals are nonprofit; the rest are either state-run or for-profit.

In addition to surveying 10 hospitals, Finance Committee staffers looked at cases of alleged abuse from around the country, talked to community groups and reviewed studies by health-care economists.

"We believe that America's hospitals do more than virtually any other segment of society in serving the health care needs of those who have no coverage," Rick Pollack of the American Hospital Association, which represents both nonprofit and for-profit hospitals, said in response to the Finance Committee's findings.

"Beyond providing free care to those in need, and financial assistance to low-income people without insurance, hospitals also provide a broad array of other community benefits ranging from health screenings, child immunization, poison control, trauma care, health professional training and research," he said.

One witness scheduled today is Diane Insko, 54, of Cincinnati, who suffers from Type 2 diabetes. She is to recount how she nearly lost her home after a hospital put a lien on her house for failing to pay a bill for \$4,639 for a two-night stay. She later learned that her \$14,000 income for the year qualified her for charity care, which she applied for and won. The hospital then canceled the debt and lifted the lien.

"If I qualified for charity care, why didn't they tell me in the first place?" she said in an interview yesterday. "No one at the hospital ever mentioned that to me."

Several state attorneys general, including those in Illinois, Kansas and Minnesota, are looking into possible abuses by tax-exempt hospitals. In the past two years, lawyers for the poor have filed federal lawsuits in at least 22 states accusing nonprofit hospitals of failing to meet their tax-exempt obligations to provide indigent care.