

CHARITY CARE: Suits solve little, says CEO

Retiring Trinity boss defends nonprofits

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Suing nonprofit health systems for not providing enough charity care is counterproductive to what hospitals are trying to accomplish and not the way to get health care for people without insurance, Judy Pelham, CEO of the nation's fourth-largest Catholic health system, said Tuesday.

"This litigation is distracting us from the real issue -- that there are more than 44 million Americans who do not have health insurance," said Pelham, who is expected to step down at year's end as CEO of Novi-based **Trinity Health System**. Pelham, who announced her retirement in March, delivered her comments on the second day of Trinity Health's annual Fall Conference at the Hyatt Regency Dearborn hotel.

In July, Michigan-based health systems **William Beaumont Hospitals** and Trinity Health -- joined 38 other health systems across the country being sued for failing to provide enough charity care to poor and uninsured people to justify their tax-exempt status.

The lawsuits charge that the nonprofit hospitals have failed to provide government-required charity care to uninsured patients in exchange for their exemption from taxes. The suits accuse hospitals of using aggressive methods to collect payment from poor people and of inappropriate arrangements with for-profit businesses such as doctors groups.

Currently, there are more than 49 suits pending against 320 hospitals nationwide and more are likely to follow, according to the class-action lawyers who are filing the suits.

"A misdirected lawsuit is not the answer to solving the problem of the uninsured," said Pelham, who noted that Trinity started revising its charity care policy two years ago to "set minimum standards for charges to the uninsured and underinsured and for collection activities on a system-wide basis."

The guidelines, said Pelham, "are similar to standards being established by national and state hospital associations."

Pelham said Trinity Health provided \$57 million in charity care in 2004, up from \$42 million in 2003.

In an interview with the Free Press after her speech, Pelham said the country needs a national health policy -- not to be confused with a national health system -- "that finds a way to have everyone covered -- whether it be employee- or government-based. Or both."

And, she said, "we're not going to do that by beating up on nonprofit health systems," through lawsuits.

She acknowledged nonprofits do not have the resources "to provide everything to everyone."

But, Pelham added, no one is actively advocating for a single-payer system in which the government pays for everyone's health coverage. Rather, "I think we've got to have a hybrid system" in which government, employers and individuals contribute to the cost of coverage.

The charity suits were the only dark note in an otherwise upbeat report on the state of the health system delivered by Pelham in what was viewed as her farewell speech to the sprawling health system she has overseen since its creation four years ago.

Formed in 2000 by the merger of Mercy Health Services in Farmington Hills and Holy Cross Health System, based in South Bend, Ind., Trinity Health is a \$5-billion organization consisting of 45 hospitals in seven states, more than 400 outpatient facilities, long-term care facilities, home health offices and hospices, a consulting company and two Michigan-based health plans. Trinity's metro Detroit hospitals include St. Joseph Mercy of Macomb and Oakland counties, St. Mary Mercy and St. Joseph Mercy Health System.

Pelham's last year at the helm of Trinity has been a heady one for her and the system's 44,100 employees.

- Trinity Health was singled out by the National Council on Quality Assurance (NCQA) to receive its annual Excellence Award given to one health system that exemplifies efforts to ensure quality health care. Award applicants are judged on their commitment to quality in eight areas, including strategic planning, financial management and community health needs.

- Pelham received the CEO Information Technology Achievement Award from the Healthcare Information and Management Systems Society.

Pelham said the award, which she accepted on the behalf of all employees, is recognition of the system's efforts to improve patient care and safety through technology.

Trinity has established itself as a leader in health care technology through its Project Genesis, a program to introduce technology to patient care and safety, revenue generation and supply management system-wide. The health system has rolled out clinical and revenue systems in three hospitals in Michigan and expects to bring another four on-line in 2005, Pelham said. Supply-chain information systems are expected to be installed in seven sites in 2005.

- In September, Trinity Health System's HMO, Care Choices, was named by NCQA among the top five HMOs for clinical quality among 68 health plans in the region for the second year in a row.

- For the fiscal year ended June 30, Trinity Health will report an operating margin of 2.65 percent - higher than the 2.5-percent margin projected and respectable for a health system. Further financial information is scheduled to be released Friday, according to a Trinity spokesman.

Pelham told the audience of about 600 Trinity managers that she expects the board to name a new CEO before the end of the year.

Trinity board chairman William Kreykes said that when Pelham told the board she wanted to retire at the end of the year, "she said 'I want to go out on a high note and while I'm healthy I want to spend time with my family and do other things with my life.' "

He praised Pelham's leadership and said the health system would be successful "because of the solid foundation you have established."

Pelham, 59, said she will stay involved in health care to the extent she plans to remain on the boards of some health-related companies and stay active on the Rand Institute's advisory committee on health information technology.

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