

Providence executes merger, settles class-action suit

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[Providence Health System](#) of Oregon ended the year with two deals that will ripple through its future: a consequential merger and the settlement of a high-profile lawsuit that has changed the way its hospitals bill the uninsured.

Lawsuits filed in September 2004 against Providence and Legacy health systems accused the nonprofit hospital systems of shirking their obligations to provide charity care for uninsured patients. Filed by the Oxford, Miss.-based [Scruggs Law Firm](#), the lawsuits were the 48th and 49th in a series of similar nonprofit hospital class action lawsuits filed nationwide.

The Scruggs firm is known for its success in lawsuits against big tobacco companies and asbestos products manufacturers.

The lawsuits charge health systems with giving private insurance companies and federal payers Medicare and Medicaid substantial discounts off their sticker prices, while charging the uninsured the full amount for services rendered.

In November, Providence Health System of Oregon became the first nonprofit hospital in the nation to settle with the plaintiffs, and in the process drafted a plan that gave the uninsured seeking care at its hospitals greater transparency and predictability in billing.

John Phillips, the attorney who partnered with the Scruggs firm on the local cases, predicted the framework created by Providence would become a national model to emulate.

Going forward, uninsured patients getting services at Providence's Oregon hospitals would receive discounts on par with the PPO insurance plans negotiate with Providence for the insured population. Providence preferred provider discounts are around 32 percent in Portland, but are as low as 11 percent in some areas of the state.

Additional discounts would be available for patients at or below 400 percent of the federal poverty level, and patients at or below 200 percent of the poverty level would not be responsible for hospital bills. As many as 42,300 Oregonians could be eligible for retroactive discounts, but the deadline for filing a claim is Feb. 23.

Besides the settlement, Providence of Oregon's parent organization grew its employment base by more than 36 percent this year. The merger between Providence Health System and sister organization Providence Services added nine new hospitals, as well as several elder care and educational holdings, and will add about \$1 billion in new revenue to the \$4 billion operation.

The deal took effect Jan. 1, and the new group will assume the name Providence Health & Services.

Spokane, Wash.-based Providence Services operates a variety of health care, educational and social programs in Eastern Washington and Montana, and employs 12,100. Providence Health System has 34,000 workers and operates 18 acute care hospitals and a host of other health, housing and elder care services in Oregon, Alaska, Western Washington and California. In Oregon, it runs seven hospitals and employs about 14,000.