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## Madigan: Hike charity health care

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BY [LORI RACKL](#) Health Reporter

Most Illinois hospitals would be required to provide more deeply discounted or free care to low-income, uninsured patients under an ambitious plan being introduced today by Illinois Attorney General Lisa Madigan.

Madigan says not-for-profit hospitals, which don't pay taxes, aren't giving away enough services to the needy -- something she argues they're obligated to do by law in return for the financial privilege of being tax-exempt.

"These hospitals, on average, are spending less than 1 percent of their hospital charges on charity care. That's minuscule," Madigan told the Chicago Sun-Times. "If you're going to get the massive benefit of tax exemption, there's a requirement you give a little back to the most vulnerable citizens, those people without health insurance and without the ability to pay exorbitant prices for health care."

About 1.8 million people in Illinois lack health insurance, and most of them have incomes low enough to qualify for free or steeply reduced hospital care under Madigan's plan. Her proposal, if passed into law, would for the first time in Illinois outline specific discounts that must be given to the uninsured poor and would force these hospitals to spend at least 8 percent of their operating costs each year on so-called charity care.

### NOT CHARITABLE ENOUGH?

Illinois Attorney General Lisa Madigan says not-for-profit hospitals aren't giving away enough free care to the needy. She says not-for-profits on average deliver annual charity care valued at less than 1 percent of the hospital's charges, according to the most recent data submitted in 2003 to the Illinois Department of Healthcare and Family Services. The Illinois Hospital Association argues that these statistics can be misleading for a number of reasons, partly because hospitals only collect a portion of what they charge and charity care amounts don't reflect the uncompensated care hospitals provide when bills go unpaid. Here's a look at charity care reported by nonprofit hospitals in the Chicago area in 2003:

Hospital	Charity care *
Advocate Bethany Hospital, Chicago	7.59%
South Shore Hospital, Chicago	5.13
Jackson Park Hospital, Chicago	4.78
Norwegian-American Hospital, Chicago	4.66
La Rabida Children's Hospital, Chicago	3.18

St. Bernard Hospital, Chicago	2.57
Sherman Hospital, Elgin	2.25
Methodist Hospital, Chicago	2.16
Northwestern Memorial Hospital, Chicago	2.11
Rush University Medical Center, Chicago	1.58
University of Chicago Hospital, Chicago	1.56
Rehabilitation Institute of Chicago, Chicago	1.32
Swedish Covenant Hospital, Chicago	1.31
St. Mary of Nazareth Hospital, Chicago	1.24
Advocate Good Samaritan Hospital, Downers Grove	1.18
Alexian Brothers Medical Center, Elk Grove Village	1.14
St. Elizabeth Hospital, Chicago	1.10
St. Francis Hospital, Evanston	1.08
Central DuPage Hospital, Winfield	1.03
Silver Cross Hospital, Joliet	0.98
Mercy Hospital, Chicago	0.96
Roseland Community Hospital, Chicago	0.94
St. Alexius Medical Center, Hoffman Estates	0.92
Holy Cross Hospital, Chicago	0.91
Loyola University Medical Center, Maywood	0.85
Thorek Hospital, Chicago	0.78
Children's Memorial Hospital, Chicago	0.75
Advocate Lutheran General Hospital, Park Ridge	0.71
Provena St. Joseph Medical Center, Joliet	0.71
Mount Sinai Hospital, Chicago	0.69
Provena St. Joseph Hospital, Elgin	0.63
Gottlieb Memorial Hospital, Melrose Park	0.50
St. Anthony Hospital, Chicago	0.49
Delnor-Community Hospital,	0.48

Geneva	
Edward Hospital, Naperville	0.47
Advocate Christ Medical Center, Oak Lawn	0.45
Victory Memorial Hospital, Waukegan	0.44
Ingalls Memorial Hospital, Harvey	0.43
Our Lady of the Resurrection Med. Cntr, Chicago	0.40
St. Joseph Hospital, Chicago	0.40
West Suburban Medical Center, Oak Park	0.39
Adventist LaGrange Memorial Hosp., LaGrange	0.38
Northwest Community Hosp., Arlington Heights	0.37
Loretto Hospital, Chicago	0.37
Advocate Trinity Hospital, Chicago	0.36
Adventist Hinsdale Hospital, Hinsdale	0.33
Schwab Rehabilitation Hospital, Chicago	0.28
Rush-Copley Medical Center, Aurora	0.27
Adventist GlenOaks Hospital, Glendale Heights	0.25
Advocate South Suburban Hospital, Hazel Crest	0.25
St. Therese Medical Center, Waukegan	0.24
Rush Oak Park Hospital, Oak Park	0.24
Palos Community Hospital, Palos Heights	0.16
Holy Family Medical Center, Des Plaines	0.15
Resurrection Medical Center, Chicago	0.14
Advocate Good Shepherd Hospital, Barrington	0.12
Westlake Hospital, Melrose Park	0.10
Little Company of Mary Hospital, Evergreen Park	0.08

Condell Medical Center,                    0.07  
Libertyville

\* - As a percentage of total hospital charges

Source: 2003 OBRA data provided by the Illinois attorney general's office

Illinois Hospital Association officials argue that not-for-profits, which describes most hospitals in the state, give back much more to the community than Madigan suggests. And while they haven't seen the specifics of the attorney general's plan, they said forcing hospitals to dig deeper and provide even more unreimbursed services could drive some institutions out of business.

"One out of every three Illinois hospitals is losing money," IHA spokesman Danny Chun said. "You'd be pushing them closer to the edge."

Not-for-profit hospitals across the country have faced a firestorm of criticism in recent years for their dealings with the country's uninsured, whose ranks have swelled to 46 million.

Labor unions and lawyers have attacked hospitals for "gouging" those without health insurance by charging them much higher rates than what's paid by government-run Medicare and Medicaid programs or by private insurers, who have the clout to negotiate steep discounts.

### **'There is no standard'**

Hospitals also have been chastised for overly aggressive attempts to make financially strapped patients pay up. Madigan is unveiling another piece of legislation today aimed at making all hospitals -- regardless of their tax status -- adopt more consumer-friendly billing and collection practices.

As criticism mounts, not-for-profit hospitals have been under increasing pressure to justify what they give back in exchange for being let off the hook from local, state and federal taxes. One Downstate Illinois hospital, Provena Covenant Medical Center in Urbana, was stripped of its property tax exemption in 2004 after county officials argued it behaved more like a business than a charitable nonprofit. Provena is appealing the decision.

"There have been hearings on the Hill, threats of federal legislation, lots of lawsuits -- the heat really has been turned up," said Jennifer Tolbert, policy analyst for the health policy research group Kaiser Family Foundation. "In response, many hospitals have begun doing the right thing. But it varies from community to community."

And that's the problem, Madigan says. She doesn't want to leave it up to the hospitals to determine what constitutes charity care and how much of it they feel like doling out.

"There is no standard," Madigan said. "One of the benefits of this legislation is . . . it will put a clear standard in place. Hospitals will know how not to fall afoul of that."

Madigan's Tax-Exempt Hospital Responsibility Act would require that hospitals provide free care to uninsured patients whose family income is no more than 150 percent of the federal poverty limit. The 2005 federal poverty income guidelines are \$9,570 for a single person and \$19,350 for a family of four.

Deep price cuts would be given on a sliding scale for uninsured patients with incomes between 150 percent and 250 percent of the poverty limit.

### **Some rural sites would be exempt**

Those on the low end of the income scale would be billed for 20 percent of the amount it costs the hospital to provide its service. As patients' income increases, so would their share of the tab. But even those on the high end, with incomes at 250 percent of federal poverty limits, would pay only 35 percent of the cost of their sinus surgery,

angioplasty or whatever else they were treated for. If charity-care patients are sick enough to rack up \$10,000 in hospital expenses over the course of a year, anything above that amount would be free.

Some not-for-profit hospitals that serve rural areas of the state would be exempt from the law. The thinking is these "critical access hospitals" act as a safety net in medically underserved areas. The law also wouldn't apply to government hospitals such as Cook County's Stroger, which already serves a large number of needy patients.

Madigan's plan is likely to save the uninsured poor more money than they would save under the Illinois Hospital Association's current charity-care guidelines. These voluntary guidelines, adopted in 2003, call for price breaks for qualified patients with incomes up to 200 percent of the federal poverty limit. Some hospitals go above and beyond the guidelines, offering more generous charity-care policies. But discounts usually apply to what a hospital charges for a procedure, not the cost associated with delivering that procedure, which is the basis for Madigan's price cuts.

Another key part of Madigan's proposal is the requirement that not-for-profits provide charity care equal to at least 8 percent of the hospital's operating costs during a fiscal year.

Hospitals could arrive at this figure in several different ways. Free and reduced care delivered to low-income, uninsured patients would count. So would the shortfall between a hospital's cost in treating Medicaid patients and Medicaid reimbursement rates, which are notoriously low in Illinois. Hospitals also could get credit for mobile clinics or other programs approved in advance.

### **'Multimillions' at stake**

"We're giving them a fair opportunity to meet this 8 percent obligation," Madigan said.

It would be up to the attorney general's office to make sure hospitals abide by the law. Those that don't would face fines and a loss of their tax-exempt status, which Madigan says can mean "multimillions of dollars to many of these hospitals."

If the General Assembly approves Madigan's plan, Illinois would join a small number of states in setting specific charity-care mandates for tax-exempt hospitals. Texas, for example, requires most not-for-profits to provide charity care equal to what they would have paid in state and local taxes, or at least 4 percent of their patient revenues.

Illinois' hospital association doesn't like the idea of any law dictating hospitals' charity requirements. An IHA task force report written last year says such mandates run the risk of shifting costs to insured patients and causing cuts in hospital services. Charity requirements also create an incentive to drop health insurance, the task force noted, if free or substantially discounted hospital care is guaranteed.

"I don't think one size could possibly fit all hospitals," said IHA President Ken Robbins.

### **Sponsors lined up**

Just looking at how much free care a tax-exempt hospital provides isn't a good measure of what hospitals give back, Robbins said. Communities benefit from hospitals' meals-on-wheels programs for seniors, or when medical centers keep trauma centers open even when they're unprofitable. These are the kinds of services not-for-profit hospitals must detail in newly required community benefit reports that have to be turned in each year to the state. The first set of these reports should be finished by the end of this year.

"It would be far wiser to wait until that comes in . . . and then see whether anything more needs to be done," Robbins said.

Lawmakers -- including some in Illinois -- haven't always been successful in trying to legislate hospitals' charity requirements. But Madigan, who has sponsors lined up in the state House and Senate, said she's optimistic that the time is right.

"There may be some initial concern," she said, "but at the end of the day, I think hospitals will say this is going to help us rather than hurt us."

[ltrackl@suntimes.com](mailto:ltrackl@suntimes.com)

## Billing, collection rules spelled out

The most common complaints heard by the Illinois attorney general's health care bureau revolve around problems with medical bills. Complaints run the gamut, from confusing charges to aggressive collection tactics by hospitals -- and the collection agencies they sometimes hire.

Attorney General Lisa Madigan plans to announce today a proposal she says will better protect consumers. It's called the Fair Hospital Billing & Collection Practices Act, and it would apply to all of the 200-some licensed hospitals in the state.

"We've all got stories," said Madigan, citing billing problems she encountered after the birth of her daughter last year. "This bill sets out some very simple guidelines as to how billing and collection practices should be handled so individuals aren't being harassed."

Here's some of what the proposed legislation calls for:

- \*Patients must be given itemized hospital bills in clearly understandable language.
- \*If patients are unable to pay a bill all at once, they will be allowed to make reasonable payments in installments.
- \*Hospitals cannot refer bills to collection agencies while claims are pending with insurers.
- \*A hospital board must approve the use of collection measures such as liens on property or wage garnishment.
- \*Hospitals can only use licensed collection agencies, which must follow guidelines when trying to recoup medical debt.
- \*A corporate officer of the hospital must decide if patients will be sued for unpaid bills, and certain procedures must be followed before lawsuits are filed.
- \*Patients have the right to inquire about or challenge a hospital bill through the mail, by calling a toll-free number or by meeting with a hospital representative.
- \*Hospitals must provide a "statement of patient billing rights" when patients are discharged or finished with their outpatient treatment.
- \*Patients can file complaints about hospital billing practices with the attorney general's office.

Penalties for breaking the law would range from \$1,000 to \$10,000 per violation.

*Lori Rackl*

## HOW IT WORKS

Here's how Illinois Attorney General Lisa Madigan's plan would work for low-income, uninsured patients:

Before being discharged from a not-for-profit hospital, uninsured patients must be given an easy-to-understand application detailing how to apply for free or discounted care. They have 60 days to turn in that application, during which time hospitals could not bill patients.

Hospital care would be free for the uninsured whose income doesn't exceed 150 percent of the federal poverty limit. In 2005, poverty guidelines were \$9,570 for a single person and \$19,350 for a family of four.

That means a single person whose income is less than \$14,355 or a person whose family of four makes less than \$29,025 would not owe anything.

Steep price cuts would be given to uninsured patients whose income is between 150 percent and 250 percent of the federal poverty level. They would pay anywhere from 20 percent to 35 percent of what it cost the hospital to provide its services, based on their income.

So if a hospital spent \$2,000 treating a patient, that patient would owe:

\*\$400 if income is between 150 percent and 175 percent of poverty guidelines.

\*\$500 if income is between 175 percent and 200 percent of poverty guidelines.

\*\$600 if income is between 200 percent and 225 percent of poverty guidelines.

\*\$700 if income is between 225 percent and 250 percent of poverty guidelines.

An uninsured patient whose income doesn't exceed 250 percent of the federal poverty limit would be entitled to free hospital care after racking up \$10,000 in hospital bills during the course of a year.

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