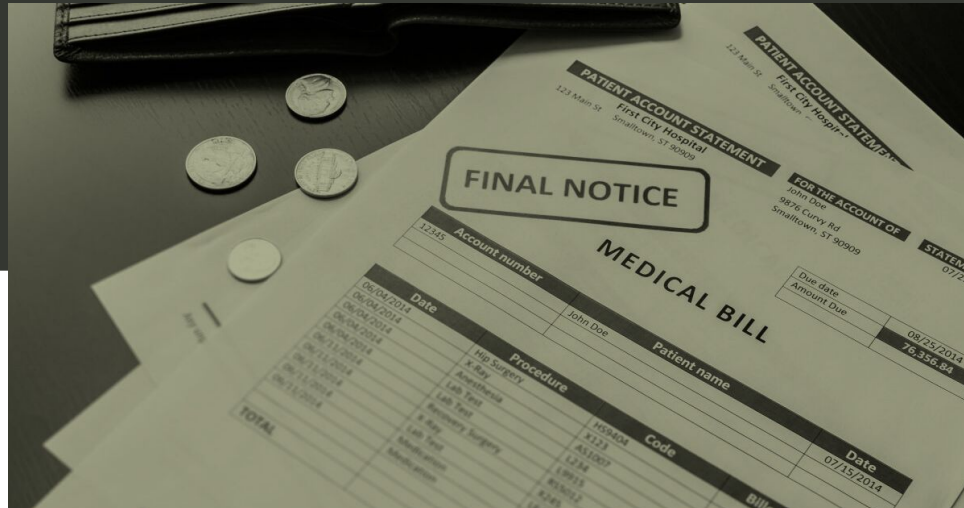


# Charitable Hospitals Behaving Badly

11.21.19 | Linda J. Rosenthal, JD



Over the summer of 2019, there were important showdowns around the United States against certain charitable healthcare systems acting in decidedly uncharitable (and unlawful) ways. The hospital behemoths with overflowing coffers relentlessly hounded patients for every last nickel and dime. The victims included those least able to afford it; people earning just at or above the minimum wage – some of them the hospitals’ own employees!

By summer’s end, the avaricious health providers were “humbled” by enough public exposure and pressure to reverse course. The changes so far have led to significant relief to some beleaguered victims, but more needs to be done.

And – of course – it should not have happened at all.

## *Hospitals’ Tax Exemption Deal*

The majority of the hospitals in the United States are nonprofit, nongovernmental institutions. They receive valuable federal, state, and local income tax exemptions along with other substantial tax breaks. That’s a bargain they make in exchange for an obligation “to provide community benefits, including charity care to low-income patients.”

The Affordable Care Act of 2010 (ACA), designed to result in fewer uninsured and underinsured Americans needing financial assistance from hospitals, added new duties. Nonprofit hospitals must have “financial assistance programs” although “the federal rules don’t say how much help, and they don’t say how poor you have to be to qualify or if you have to be insured or uninsured.” The ACA also “prohibits hospitals from taking ‘extraordinary collection actions.’”

There were three major story arcs appearing beginning in May and June 2019 that highlight egregious flouting of the tax-exemption bargain as well as violations of the letter and spirit of the ACA. They exposed seedy practices of prestigious Johns Hopkins Medical Center (Baltimore),

Methodist Le Bonheur Hospital (Memphis) and the University of Virginia Health System (Charlottesville). Included in these unconscionable policies were the continual piling on of penalties, interest, and attorneys' fees to the original debt amounts followed by garnishment of wages, liens on property, and endless filing of enforcement actions.

According to research published recently in the Journal of the American Medical Association (about a study of Virginia nonprofit healthcare institutions), nonprofit hospitals are more likely than their for-profit counterparts to sue patients for payment. And particularly disturbing are the results showing that these health providers are "suing to grab 0.1 percent of their total revenue." Rolling in revenue, they still pursue payment of debts in all amounts, including some so small it makes little difference to the bottom line of the institution but traps debtors for a lifetime.

### *Hospitals' Horror Stories*

Of the three stories, the most deeply reported is about Memphis's Methodist Le Bonheur Hospital. There's an important angle, too, in the identity of the crack reporting team that uncovered this sordid tale. ProPublica, Inc. is a "nonprofit newsroom that investigates abuses of power. MLK50, a member of the ProPublica Local Reporting Network, did the heavy lifting on this remarkable series. Ironically, it is a *nonprofit* investigative group that protects the charitable beneficiaries that the *nonprofit* hospital here wrongfully exploits.

The storyline from the ProPublica network begins on June 27, 2019. The opening article's title is brutal but fair: *The Nonprofit Hospital That Makes Millions, Owns a Collection Agency and Relentlessly Sues the Poor.* It includes background information about the institution and the community it serves. A six-facility healthcare group (with an additional 150 outpatient centers, clinics and physician practices), Methodist Le Bonheur has an annual revenue of \$2.1 billion and is the second-largest private employer in Shelby County, Tennessee. It boasts a commitment to a "culture of compassion." But there are hard facts and figures confirming the intensity of the effort to collect every last penny owed. There are also absorbing case studies of some of the victimized patients.

That same day, a follow-up article continues the tale: *This Memphis Hospital System Flouts IRS Rules by Not Publicly Posting Financial Assistance Policies* (June 27, 2019) "Nonprofit hospitals must post financial assistance policies for the public to see, including in emergency rooms. But Methodist Le Bonheur Healthcare's five Shelby County emergency rooms had no signs or displays when a reporter checked."

And there's a bigger problem: According to a review by MLK50/ProPublica of policies at Tennessee nonprofit hospitals, this one is "among the least generous in the state." Although "... dozens of hospitals offer free or highly discounted care that helps shield low- and middle-income patients, regardless of insurance status, from crushing debt, Methodist does not." Although a spokesperson explained that "it will work with ... patients seeking assistance," the evidence appears not to support that assertion.

### *Aggressive Debt Collection*

Methodist Le Bonheur Hospital's "handling of poor patients begins with a financial assistance policy that, unlike many of its peers around the country, all but ignores patients with any form of health insurance, no matter their out-of-pocket costs."

What follows, though, compounds the problem. If Methodist Le Bonheur's patients can't pay their bills, they "face what experts say is rare: A licensed collection agency owned by the hospital." Lawsuits follow. Finally, after the hospital wins a judgment, it repeatedly tries to garnish patients' wages, which it does in a far higher share of cases than other nonprofit hospitals in Memphis.

"We found that Methodist Le Bonheur Healthcare filed more lawsuits and won more wage garnishment orders than any other hospital system in Shelby County" is what reported MLK50/ProPublica reported in [\*How We Tallied Medical Debt Lawsuits and Wage Garnishments in Memphis\*](#) (June 27, 2019).

The next day's installment adds more detail: [\*Low-Wage Workers Are Being Sued for Unpaid Medical Bills by a Nonprofit Christian Hospital That Employs Them\*](#) (June 28, 2019). The subheading adds a further troubling twist: "Methodist Methodist Le Bonheur Healthcare has sued many of its own employees over unpaid medical bills and garnishes their wages; its health care plan prevents them from going to competitors with better financial assistance."

### *Hospitals' Practices Generally*

The ProPublica series points out that *this* health provider's policies and practices of aggressive collection efforts are neither mandatory nor universal. "Several nonprofit hospitals don't sue patients at all, such as Bon Secours Hospitals in Virginia, which stopped pursuing debt suits in 2007, and the [University of Pittsburgh Medical Center](#), which includes more than 20 facilities." And the policy of the seven-hospital Methodist Health System in Texas is also different, according to a spokesperson: "We are a faith-based institution and we don't believe taking extraordinary measures to seek bill payments is consistent with our mission and values." It never "impose extraordinary collection actions such as wage garnishments, liens on homes, or credit bureau notification."

Turning to the legal system to settle debts is a choice, not a mandate, said [Jenifer Bosco](#), staff attorney at the National Consumer Law Center, a nonprofit focusing on legal services for low-income and other disadvantaged people. "A lot of medical debts are just handled through the collections process," she said. "Certainly some end up in court, but it seems like this hospital is especially aggressive" – especially in a city where nearly 1 in 4 residents live below the poverty line.

According to Senator Chuck Grassley (R-NE), aggressive debt collection practices are "contrary to the philosophy behind tax exemption." Hospitals doing this "seem to forget that tax exemption is a privilege, not a right. In addition to withholding financial assistance to low-income patients, they give top executives generous salaries on par with their for-profit counterparts."

### *The Tide Turns*

In the hours and days following publication of these damning articles, "Methodist declined repeated requests to interview its top executives." But soon the crack investigative team reported progress. The titles of articles published in July 2019 preview the rapid, significant developments:

- [Millionaire CEO of Nonprofit Hospital That Sues the Poor Promises Review of Policies](#) (July 1, 2019). [“Methodist Le Bonheur Healthcare promised a policy review after an investigation by MLK50 and ProPublica found it had sued 8,300 patients (...in five years) — including its own employees — over medical debt. Its CEO has not responded to our questions.”]
- [Nonprofit Christian Hospital Suspends Debt Collection Lawsuits Amid Furor Over Suing Its Own Employees](#) (July 3, 2019)
- [“Humbled”: Nonprofit Christian Hospital Dials Back Aggressive Debt Collection and Raises Wages After Our Investigation](#) (July 30, 2019)

“The hospital system just announced major policy changes in response” to the MLK50 investigation.

[In Hospital Humbled by ProPublica Will Raise Wages and Stop Suing Employees](#) (August 1, 2019), *The Nonprofit Quarterly*’s Ruth McCambridge wonders if the “hospital” is “yet humble enough.” As of mid-summer, there were still unanswered questions including whether Methodist Le Bonheur will end entirely the practice of suing patients or whether it will refile the 100-plus lawsuits it dismissed in July.

- [We Reported on a Nonprofit Hospital System That Sues Poor Patients. It Just Freed Thousands From Debt.](#) [“The city’s largest nonprofit hospital system has erased the debts owed by more than 6,500 patients it sued for unpaid hospital bills, less than two months after announcing an overhaul of its debt collection practice.”]

### *Conclusion*

In [Thousands of Poor Patients Face Lawsuits From Nonprofit Hospitals That Trap Them in Debt](#) (September 13, 2019), the MLK50 team explains that “across the country, low-income patients are overcoming stigmas surrounding poverty to speak out about nonprofit hospitals that sue them.”

They issue a public call-to-action for more information, including first-hand accounts of people who have been named by nonprofit hospitals as defendants in collection actions. “Federal officials are noticing. Help us keep the pressure on.”

— Linda J. Rosenthal, J.D., FPLG Information & Research Director