

Lawsuit: Hospitals failed the poor

Owner of Valley, Deaconess short on charity care, foundation claims

Deaconess and Valley hospitals' owner failed to provide up to \$110 million worth of charity care promised to low-income patients during its tenure in Spokane, a lawsuit filed Monday said.

Empire Health Foundation filed the suit against Community Health Systems of Tennessee, one of the nation's larger for-profit hospital chains, which bought Deaconess and Valley hospitals in 2008.

As part of the purchase, Community Health Systems agreed to meet or exceed the average level of hospital charity care spending in Eastern Washington, the suit said.

An analysis of the hospitals' charity spending reported to the state Department of Health indicated that CHS fell at least \$55 million short of promised levels through 2015, the suit said. The litigation also accuses CHS of inflating the cost of the charity care it did provide, which could put the shortfall as high as \$110 million.

CHS is on the verge of selling both hospitals and leaving the Spokane market.

Empire Health Foundation wanted to file the lawsuit before the sale of the two hospitals is finalized on June 30, said Antony Chiang, Empire Health Foundation's president.

Chiang had strong words for CHS during an interview Monday: "You can't just leave, go back to Tennessee and walk away with these unearned profits."

In the Spokane area, the failure to provide \$110 million worth of health care "had to have significant impacts" on the most vulnerable patients, Chiang said.

As news of the lawsuit gets out, Empire Health Foundation expects to hear from low-income patients about their experiences at the hospitals. The foundation will provide more detail as the litigation progresses, Chiang said.

The suit isn't intended to disparage the quality of the care at either hospital, but to address charity care shortcomings, said Gary Stokes, chairman of the Empire Health Foundation board and KSPS Public Television's president and general manager.

CHS officials in Tennessee did not respond to a request for comment Monday afternoon.

In a similar lawsuit settled last year, low-income patients at Yakima Regional Medical Center and Toppenish Community Hospital who qualified for charity care didn't receive it. CHS has owned both hospitals since 2014, but the problems occurred under a previous owner, Health Management Associates.

In one case, a cook earning minimum wage who had emergency surgery and was in a coma for four days was billed \$100,000. She was never told that she qualified for charity care, the suit said.

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In other instances, people who should have qualified for free care based on their income were required to pay deposits of thousands of dollars before surgeries, the suit said. Hospital executives sent out emails to staff indicating they didn't want to serve indigent patients, said Eleanor Hamburger, a Seattle attorney on that case who is now representing Empire Health Foundation.

Those types of actions violate Washington's charity case statute "which has some real teeth," Hamburger said.

In Washington, people who earn less than 200 percent of the federal poverty level qualify for reduced bills for hospital care. For households earning less than 100 percent of federal poverty levels, hospitals must provide care at no charge.

In addition, Washington hospitals cannot refuse to provide treatment to people who can't pay for care.

For Empire Health Foundation, it's a bit unusual to be involved in a lawsuit, Chiang said. The nonprofit's mission is to improve the health of the region's population. The foundation was formed with the proceeds from CHS's purchase of the two hospitals.

Empire Health Foundation also was tasked with overseeing CHS's contracts and agreements from the sale, which included charity care provisions.

"Anecdotally, we'd heard that CHS was not meeting its commitments to charity care," Chiang said. "There were persistent grumblings that ERs at Deaconess and Valley hospitals were seeing less charity cases and Providence ERs were seeing more."

In November, MultiCare Health System of Tacoma announced its intent to purchase the two hospitals as part of a \$425 million deal that also includes Rockwood Clinic. The pending sale prompted Empire Health Foundation to hire a health care economist to analyze CHS's charity spending. The discrepancies became quite clear, Chiang said.

"The bottom line is that CHS broke its promise and they're about to leave the community," he said. "We want to hold them accountable."

The hospitals' practices appear to be part of an effort to "drive indigent patients away" or to overcharge them, the lawsuit said.

Empire Health Foundation wants CHS to return the money it should have spent on charity care to the community, said the suit, which was filed in U.S. District Court in Spokane.

The foundation has kept MultiCare apprised of its findings, said Jeffrey Bell, vice chairman of the foundation and a partner with the Gallatin Public Affairs. He said the litigation is not intended nor expected to affect MultiCare's purchase of Deaconess and Valley hospitals, which Empire Health Foundation supports.

Chiang said, "We looked at the situation very carefully, because we really want MultiCare to come to the community. We are confident this will not deter them from moving forward."

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MultiCare is a nonprofit health system with a good track record of providing charity care in the communities where it operates, said Stokes, the foundation chairman.

“We are completely excited to have them come to the community,” Chiang said of MultiCare.

The state Department of Health’s website provides information about hospitals’ charity care spending. Deaconess and Valley hospitals consistently spent a lower percentage of revenue on charity care compared to local hospitals operated by Providence Health, the website indicates.

Providence Sacred Heart Medical Center and Holy Family Hospital spent 5 percent to 13 percent of their adjusted revenue on charity care in recent years, while Deaconess and Valley hospitals’ rates were 5 percent or less.

The Department of Health has figures through 2015, when overall charity care spending dropped as a result of more patients having insurance through the Affordable Care Act.

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