

Health systems reject NC treasurer's criticism of how hospitals bill poorer patients



UNC Medical Center in Chapel Hill

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Hospitals and health systems are pushing back against a report from the North Carolina Treasurer's office that claims they are billing poorer patients at a rate potentially three times the national average.

The [report put out by the North Carolina State Health Plan](#) this week claims that nonprofit hospitals are billing patients who should be eligible for charity care – the term for health services that are waived for people below a certain income level. This care is required for hospitals to qualify for their tax-exempt status.

“The findings in this report show the need for greater accountability,” North Carolina Treasurer [Dale Folwell](#) said in a press release. “Despite lucrative tax breaks, nonprofit hospitals do not always provide more charity care than their for-profit counterparts.”

But Steve Lawler, president and CEO of the North Carolina Healthcare Association, said the assertion isn't true. In 2019, the year for which much of the data in the report is based, hospitals in the state totaled more than \$1 billion in charity care and close to \$1 billion in bad debt, which is the costs hospitals absorb after giving up on trying to collect a bill. That same year, according to the NC Healthcare Association, hospitals provided \$5 billion in community benefit, which includes subsidized health services, training of health professionals and other investments.

"The idea that hospitals aren't providing adequate charity care and are looking for ways to take advantage of people to make money is just false," Lawler said.

The report estimates that between 11.9 percent to 28.7 percent of the bad debt nonprofit hospitals accumulated in fiscal year 2019 should have been charity care and therefore waived without attempts at collection. The national average is 10 percent.

A lack of transparency and federal oversight means it's hard to nail down how much of the hospitals' bad debt is eligible for charity care. For instance, in tax filings, some hospitals reported that none of their bad debt is eligible for charity care, which seems unlikely, especially because some of these hospitals are in counties with high poverty rates, said Vivian Ho, a researcher at Rice University in Texas, who peer-reviewed the report.

Because there's a lack of federal oversight involved, the report suggests state lawmakers pass legislation to hold North Carolina nonprofit hospitals accountable for the charity care they provide.

"It's not the case that there are no charity patients to treat, there are plenty of them, and they are just not receiving that care," Ho said.

Attacking hospitals with misinformation at a time where they are filled with Covid-19 patients is in poor form, Lawler said. On top of their normal operations of caring for patients, hospitals have taken on a public health role that's made for a costly transition.

Since the pandemic began, hospitals in the state have taken on \$3 billion in unexpected costs to fight the pandemic, Lawler said, and they've been reimbursed with federal and state aid at about 35 to 40 cents for every dollar.

UNC Health has provided more than \$250 million in charity care during the past two years, according to a statement the health system released in response to the report. The health system also claims that patients with income below 250 percent of the federal poverty level don't pay for most of the care they receive at UNC hospitals.

"Had Treasurer (Dale) Folwell, or his out-of-state researchers, contacted us to fact check this document, we could have provided them with accurate information," UNC Health said in its statement. "Instead, he continues to demonize us and all NC hospitals (with no basis in fact) during a global pandemic."

Duke University Health System also released a statement responding to the report. The health system said it provided in fiscal year 2020 a total community benefit and investment of \$753 million, of which \$133 million covered financial assistance to 275,752 patients.

"Despite challenges from the Covid-19 pandemic, Duke will continue to ensure that all patients are treated equally and receive the highest quality care," Duke Health said in the statement. "The pandemic exacerbated the need for increased access to health care for uninsured North Carolinians, and Duke continues to encourage state leaders to focus on closing the health insurance coverage gap."

The latter is the bigger issue to focus on, Lawler said. More people in the state need access to health insurance and this could be accomplished by state lawmakers passing legislation to expand Medicaid. Hospitals, half of which have negative operating margins, should also receive more funding support from the state to take care of people of lower incomes, rather than pass the bills on to them, he said.

"We need strong policy that ensures every North Carolinian has access to care because when that doesn't happen, everyone suffers," Lawler said.

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