

“The Church’s reason for existence, from the Pope’s point of view, is not to operate more schools or hospitals than anyone else, but to ensure that in whatever the Church does, a mode of life is fostered that allows the Gospel to shine through, showing the world what a life based on Christian principles looks like.”

-- John L. Allen, Jr., *The Rise of Benedict XVI*

Unholy Alliance

An Investigative Report on the U.S. Catholic Church and
Nonprofit Catholic Hospitals

Consejo de Latinos Unidos
Washington, DC
November 15, 2005

Important Notes:

Catholic Bishops are meeting this week in the Nation's Capital and talking about capital punishment, which affects very few victims. The Bishops fail to address capital thievery, which affects 45 million uninsured Americans. Catholic hospitals in the name of Jesus are doing wrong to uninsured patients.

Many of the uninsured families we interviewed were concerned about retaliation by hospitals. Therefore, we have only included their first names and an initial to protect their identity.

Finally, all the numbers in this report come directly from documents prepared by the hospitals.

Executive Summary

Myrna E, an uninsured low-income Hispanic sought treatment at nonprofit Catholic Healthcare West. Myrna paid \$20,296 for the care she received. Medicare would have paid the Catholic Healthcare West facility only \$3,994 and the hospital would have made money off Medicare. Catholic Healthcare West has nontaxable assets of \$3 billion, made \$250 million in tax-free profit in 2004, and paid its president more than \$2 million in total compensation in 2003. Catholic Healthcare West's mission statement reads, in part, "to further the healing ministry of Jesus."

Key Findings

Using the numbers provided by the hospitals, Consejo de Latinos Unidos examined seven of the larger nonprofit Catholic hospital systems (Ascension Health, Catholic Health Initiatives, Catholic Healthcare Partners, Catholic Healthcare West, Providence Health System, SSM Health Care, and Trinity Health).

Based on this investigation of only seven hospital systems, Consejo de Latinos Unidos discovered the following about these systems:

- More than \$2 billion in profit in 2004 – all tax free
- More than \$1 billion increase in profits from the previous year.
- More than \$20 billion in cash and investments – all tax free
- More than \$1 billion in profit from interest and capital gains income alone – all tax free
- Up to 700 percent price markups for uninsured Hispanics
- More than \$1 million a year in total compensation for individual executives.
- Hundreds of thousands of dollars in salary increases from the previous year.

The facts in this report clearly show that the Catholic Church engages in an unholy alliance with nonprofit Catholic hospitals and is a willing accomplice as the nonprofit Catholic hospitals evade taxes, price gouge uninsured patients, and appear to violate nonprofit IRS salary regulations. Rather than defending their congregation, the Catholic Church continues to let their nonprofit Catholic hospitals price gouge uninsured patient, many who happen to be Hispanic, while making billions of dollars and paying their executives excessive salaries. One in three Hispanics is uninsured.

Consejo de Latinos Unidos has several recommendations for lawmakers and the hospitals. They may be found on page 11 of this report.

Introduction and Background

What Would Jesus Do?

Myrna E. is Hispanic. She is also poor and uninsured. Seeking treatment at a hospital owned by the non-profit hospital chain Catholic Healthcare West, she was charged \$20,296 for the care that she received.

Yet at the same time the hospital would charge Medicare *only* \$3,994 for this very same care.

How could it be that a non-profit, church-affiliated hospital would demand an indigent soul pay five times more than others?

With nontaxable assets of \$3 billion, Catholic Healthcare West made \$250 million in tax-free profit in 2004 alone. In 2003, Catholic Healthcare West paid its president more than \$2 million in compensation.

And all the while its mission statement hangs silently on the wall: "*to further the healing ministry of Jesus.*"

Is this really what Jesus would do?

Someone must speak up for Myrna.

And, the nonprofit Catholic hospitals must be held accountable for such sinful activities.¹

Using data provided by the nonprofit Catholic hospitals themselves, Consejo de Latinos Unidos exposes a systemic abuse of trust being perpetrated by nonprofit Catholic hospitals all across America and uncovers the unholy alliance between America's nonprofit Catholic hospitals and their silent co-conspirator – the Catholic Church.

Hispanics are the victims of this unholy alliance because they are overwhelmingly Catholic and Hispanics are the largest uninsured segment of the American population (35 percent are uninsured). The nonprofit Catholic hospitals see uninsured Hispanics as a good source of income, while the Catholic Church hides behind the Bible and hangs its Hispanic members out to dry.

In this report, Consejo de Latinos Unidos examines seven of the larger nonprofit Catholic hospital systems: Ascension Health, Catholic Health Initiatives, Catholic Healthcare Partners, Catholic Healthcare West, Providence Health System, SSM Health Care, Trinity Health.

¹ "Sinful" represents our opinion because we cannot justify these actions by a Catholic hospital system.

The Unholy Alliance

America's nonprofit hospitals are incorporated under section 501(c)3 of the Internal Revenue Code, which are typically "charitable organizations" and include, for example, churches, schools, and other organizations that help the poor or underprivileged.

Entities incorporated under 501(c)3 of the code receive many tax breaks. The tax breaks include, but are not limited to, the following:

- Pay No Federal Income Tax
- Pay No State Income Tax
- Pay No Local Property Tax
- Pay No Tax on Investment Income
- Pay No Tax on Interest Income
- Pay No Tax on Bonds
- Receive Tax-Deductible Contributions

In exchange for these very generous tax breaks, the law requires these organizations to provide enough community benefit and engage in enough charitable endeavors to justify their tax avoidance. Sufficient doubt has risen whether nonprofit hospitals are meeting this obligation. That is why two congressional committees are investigating the nonprofit status of America's hospitals:

- U.S. House Committee on Ways and Means
- U.S. Senate Committee on Finance

The behavior of the hospitals has been scrutinized at the local level, too. A few years ago, the Champaign (IL) County Board of Review launched its own investigation of Provena Covenant Medical Center, a nonprofit Catholic hospital. Based on its findings in the investigation, the board concluded that Provena was not fulfilling its legal obligation to be "charitable." The Illinois Department of Revenue agreed with the board and Provena lost its tax-exempt status. The Illinois Department of Revenue rejected the hospital's appeal and upheld the county's position.

The nonprofit Catholic hospitals invoke Christ's name in their mission statements and profess to follow the Lord's examples:

- *Ascension Health: "...Rooted in the loving ministry of Jesus,"*
- *Catholic Health Initiatives: "...nurture the healing ministry of the Church..."*
- *Catholic Healthcare Partners: "...extends the healing ministry of Jesus..."*
- *Catholic Healthcare West: "...further the healing ministry of Jesus..."*
- *Providence Health System: "...continues the healing ministry of Christ..."*
- *SSM Healthcare: "...we reveal the healing process of God..."*
- *Trinity Health System: "...to exemplify the healing ministry of Christ..."*

Sister Carol Keehan, DC, has just become president of the Catholic Health Association of the United States. Will she continue to let these hospitals use her savior's name and put profits, greed, and abuse ahead of the church?

This report contains indisputable facts, not opinions or anecdotes.

Consejo de Latinos Unidos combed through tax returns filed by the hospitals and hospital systems, annual reports prepared by the hospitals, and cost reports filed with the Centers for Medicare and Medicaid Services (CMS) to expose the truth about America's nonprofit hospitals and their relationship with the Catholic Church.²

This report details the level of profit generated by these nonprofit Catholic hospitals, the investment income of the nonprofit Catholic hospitals, the salaries of the some of the top executives, and the charges some nonprofit Catholic hospitals impose on their patients.

Based on this investigation of only seven hospital systems³, Consejo de Latinos Unidos discovered the following about these systems:

- More than \$2 billion in profit in 2004 – all tax free
- More than \$1 billion increase in profits from the previous year.
- More than \$20 billion in cash and investments – all tax free
- More than \$1 billion in profit from interest and capital gains income alone – all tax free
- Up to 700 percent price markups for uninsured Hispanics
- More than \$1 million a year in total compensation for individual executives.
- Hundreds of thousands of dollars in salary increases from the previous year.

Important notes for the reader and media: All these numbers come directly from documents prepared by the hospitals. When the hospitals are confronted about these numbers and their behavior, they respond that they provide charity care. The numbers used in this report are bottom line numbers -- after they have earmarked and provided charity care and after they have been reimbursed by Medicare, Medicaid, other third party payers, and self-pay customers, and after write-offs for uncollected accounts.

² All these numbers come directly from documents prepared by the hospitals.

³ Ascension Health, Catholic Health Initiatives, Catholic Healthcare Partners, Catholic Healthcare West, Providence Health System, SSM Health Care, Trinity Health.

Profits

In fiscal year end June 2003, the following seven nonprofit Catholic hospital systems made more than \$971 million in profit. A year later, the same seven nonprofit Catholic hospital systems earned more than \$2 billion in profit. ***In one year, these nonprofit Catholic hospital systems increased their profits by more than \$1 billion!*** These nonprofit Catholic hospitals and the hospital systems paid no taxes on this money!

<u>Hospital System</u>	<u>FYE End 6/30/03</u>	<u>FYE End 6/30/04</u>	<u>Net Increase</u>
Ascension Health	\$215,019,000	\$469,694,000	\$254,675,000
Catholic Health Initiatives	\$215,277,000	\$617,289,000	\$402,012,000
Catholic Healthcare Partners	\$112,261,000	\$170,496,000	\$58,235,000
Catholic Healthcare West	\$70,222,000	\$248,771,000	\$178,549,000
Providence Health System	\$176,597,000	\$238,577,000	\$61,980,000
SSM Healthcare	\$71,408,000	\$130,641,000	\$59,233,000
Trinity Health	\$110,921,000	\$240,167,000	\$129,246,000
TOTAL*	\$971,705,000	\$2,115,635,000	\$1,143,930,000

- *Source: Each system's annual financial statement.*

Cash & Investments

In addition to profits reported by these seven nonprofit Catholic hospital systems, they reported an astonishing amount of cash on hand and investments. In 2004, these hospitals reported more than \$20 billion in cash on hand and investments. These nonprofit Catholic hospital systems paid no taxes on this money! (The hospitals say they need all this money for expansion. In reality, they keep this money and use tax-free bonds to “fund” their facility expansion. One congressional committee is investigating whether the hospitals are actually using the bonds to expand their facilities.)

<u>Hospital System</u>	<u>Total Cash and Investments*</u>	<u>Year End</u>
Ascension Health	\$5,399,649,000	30-Jun-04
Catholic Health Initiatives	\$4,011,497,000	30-Jun-04
Catholic Healthcare Partners	\$1,626,674,000	31-Dec-04
Catholic Healthcare West	\$3,052,176,000	30-Jun-04
Providence Health System	\$1,944,555,000	31-Dec-04
SSM Health Care	\$1,604,542,000	31-Dec-04
Trinity Health	\$3,305,418,000	31-Dec-04
TOTAL	\$20,944,511,000	

- *Source: Each system's annual financial statement.*

Interest Income & Capital Gains

All corporations (either for profit or not for profit) increase their profit from interest on their savings or capital gains on investments. But the difference is that for-profit corporations have to pay taxes on their interest income and capital gains. ***In one fiscal year, these nonprofit Catholic hospital systems reported earning more than \$1 billion in profit from interest income and capital gains alone!*** These nonprofit Catholic hospital systems paid no taxes on this money!

<u>Hospital System</u>	<u>Profit from Interest and Capital Gains*</u>	<u>Year End</u>
Ascension Health	\$255,872,000	30-Jun-04
Catholic Health Initiatives	\$279,248,000	30-Jun-04
Catholic Healthcare Partners	\$81,076,000	30-Jun-04
Catholic Healthcare West	\$99,202,000	30-Jun-04
Providence Health System	\$108,411,000	31-Dec-04
SSM Health Care	\$94,306,000	31-Dec-04
Trinity Health	\$99,891,000	31-Dec-04
TOTAL	\$1,018,056,000	

- *Source: Each system's annual financial statement.*

“...Excessive Compensation Is Not Permissible.”

In addition to the generous tax breaks granted to America's nonprofit hospitals, IRS regulations prohibit executives in these corporations from receiving “excessive compensation.” In a March 30, 2005, letter to Sen. Charles Grassley (R-IA), chairman of the Senate Finance Committee, IRS Commissioner Mark Everson wrote, “...*excessive compensation by an exempt organization is not permissible.*”

The IRS has already initiated contact with hospitals requesting salary information and wants to expand that inquiry in 2006.

Below you will find compensation for some executives in these hospital systems.

Ascension Health

Name	Title	2001	2003	Increase
Douglas French	CEO	\$1,071,661	\$1,647,009	\$ 575,348
Anthony Tersigni	COO	\$ 685,243	\$1,355,867	\$ 670,624

Note: Mr. Tersigni testified under oath about Ascension Health's billing and collection practices at the investigative hearing before the subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce on June 24, 2004.

Catholic Health Initiatives

Name	Title	2001	2003	Increase
Patricia Cahill	President/CEO	\$ 909,218	\$1,361,714	\$ 452,496
Kevin Lofton	COO	\$ 729,068	\$1,058,235	\$ 329,167

Note: Mr. Lofton testified under oath about Catholic Health Initiatives' billing and collection practices at the investigate hearing before the subcommittee on Oversight and Investigations of the House Committee on Energy and Commerce on June 24, 2004. In addition, Mr. Lofton will become president of the American Hospital Association next year.

Catholic Healthcare Partners

Name	Title	2001	2003	Increase
Michael Connelly	President/CEO	\$1,146,638	\$2,341,982	\$1,195,344

Catholic Healthcare West

Name	Title	2001	2003	Increase
Lloyd Dean	President/CEO	\$1,286,751	\$2,199,797	\$ 930,046

Providence Health System

Name	Title	2003
Henry Walker	President/CEO	\$1,443,363

SSM Health Care

Name	Title	2003
William Schoenhard	Vice President	\$848,252

Trinity Health

Name	Title	2003
Judith Pelham	President/CEO	\$1,908,074

- *Source: Each system's IRS Federal Form 990*

While these executives were rewarding themselves with excessive compensation, how much money did the nurses make and how much of a raise did the janitors get? The janitor is likely Hispanic.

According to the IRS, nonprofits that pay excessive compensation may have their tax-exempt status revoked.

High Prices for the Uninsured – Victims of Price Gouging

“When Americans go to the hospital, they shouldn’t be taken to the cleaners,” said U.S. Rep. Joe Barton (R-TX), chairman of the U.S. House Energy and Commerce Committee. (Committee Press Release, April 26, 2005)

While various committees of the U.S. Congress investigate the tax-exempt status of nonprofit hospitals, one congressional committee is investigating the billing and collection practices of America’s nonprofit hospitals.

While insurance companies are able to negotiate discounts for their customers, people who do not have health insurance pay the full price the hospitals charge them. When uninsured minorities cannot pay these higher prices, the hospitals contract with professional collection agencies that use aggressive techniques to collect (including placing liens on homes) from the uninsured.

In 2004, the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce of the U.S. House of Representatives launched its investigation of hospital billing and collection practices. Currently in its second year, the committee has requested comprehensive data and specific hospital policies from the hospitals and has scheduled a hearing where hospital executives testified.

- On June 24, 2004, five hospital executives testified under oath about their billing and collection practices on uninsured Americans.
- On April 26, 2005, the subcommittee sent a comprehensive follow-up letter to 10 hospital systems asking for additional information about pricing, hospital bills, collection practices, and other related items. (Ascension Health, Catholic Health Initiatives, and Catholic Healthcare West received the letter.)

In the past year, Consejo de Latinos Unidos has documented more than 1,000 victims of price gouging – most of whom are minorities. The successful collection practice translates into huge profits for the hospitals. For example, according to its 2004 California OSHPD (Office of Statewide Health Planning Development) report, Catholic Healthcare West (34 hospitals in California) reported that only 4.4 percent of its patient days were from uninsured patients. Stunningly, those individuals accounted for 100 percent of Catholic Healthcare West’s profits from its operations (running hospitals) in California. (California is the only state that requires hospitals to report this data.)

Hospital Charges and Markups for the Uninsured

Every year, each individual hospital has to report to CMS a Medicare cost report, which includes its “cost to charge ratio.” (The federal government requires hospitals to submit this data in order to be a Medicare-approved facility.)

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The cost-to-charge ratio means the actual cost to the hospital to provide care as a portion of the hospital’s charges for such care. (Items, such as salaries, benefits, medical supplies, etc., are included in the “cost” figure.)

To calculate the “charge” figure (also known as, the markup on prices), simply divide 1 by the cost to charge ratio.

[For example, Covenant Medical, which is listed below, reported a 19.60 percent (or .1960) cost-to-charge ratio. 1 divided by 19.60 percent (.1960) equals 5.10, which means Covenant Medical marks up its prices more than five (5) times its cost, or 510 percent.] The uninsured are the only ones who pay the full prices.

The chart below contains the cost-to-charge ratio of several nonprofit Catholic hospitals.

Some of these hospitals belong to the nonprofit Catholic hospital systems that are examined in this report.

Hospital Name	Fiscal Year-End Date	Cost-to-Charge Ratio	Charge, aka Markup
Covenant Medical Lubbock, TX	June 30, 2004	19.60% or .1960	510%
Nazareth Philadelphia, PA	December 31, 2004	13.44% or .1344	744%
Our Lady of Lourdes Camden, NJ	December 31, 2004	14.36% or .1436	696%
St. Ann Mercy* Toledo, OH	December 31, 2004	24.60% or .2460	406%
St. Joseph*** Burbank, CA	December 21, 2004	19.33% or .1933	517%
St. Joseph’s Patterson, NJ	December 31, 2004	18.10% or .1810	552%
St. Michael’s Newark, NJ	December 31, 2004	17.25% or .1725	580%
St. Vincent Erie, PA	June 30, 2004	14.84% or .1484	673%
St. Anthony North** Denver, CO	June 30, 2004	24.31% or .2431	411%

* *St. Ann Mercy Hospital is part of Catholic Healthcare Partners*

** *St. Anthony North is part of Catholic Health Initiatives.*

*** *St. Joseph Medical Center is part of Providence Health System.*

Victims

Below you will find some examples of the outrageously high prices the hospitals charge uninsured individuals.

Victims Name	Hospital Name	Billed Charges	Medicare
Myrna E.	Catholic Healthcare West	\$20,296.50	\$3,994
Sergio P.	Catholic Healthcare West	\$15,897.00	\$3,839
Rigoberto G.	Holy Cross Hospital	\$25,115.00	\$6,032
Carlos C.	Our Lady of Resurrection	\$74,395.63	\$6,121

Daughters of Charity Health System: A Good Actor Among Bad Players

On September 22, 2005, the Daughters of Charity Health System (DCHS), which operates six hospitals, adopted a new policy for charging uninsured patients. DCHS announced that it would reduce the charges to uninsured patients to the payment plan of a “major managed care plan.” This new policy was effective September 22, 2005.

DCHS’s new Financial Assistance Policy reads, in part:

*The purpose of this policy is to ensure that the Daughters of Charity Health System (DCHS), in **keeping with the mission and values of the Daughters of Charity and its founders**...furthermore provide financial discounts to uninsured patients in a manner **that respects the dignity of patients and their families.***

Under the DCHS new policy, uninsured patients will be charged no more than the discounted managed care rate of the major managed care plan at each of their hospitals.

In addition, uninsured patients who are at or below 400 percent of the Federal Poverty Level will be offered further discounts or free care under the hospital’s charity care guidelines.

On behalf of the uninsured, we applaud them.

Conclusion and Recommendations

The facts in this report clearly show that the Catholic Church engages in an unholy alliance with nonprofit Catholic hospitals and is a willing accomplice as the nonprofit Catholic hospitals evade taxes, price gouge uninsured Hispanics, and appear to violate nonprofit IRS salary regulations. Rather than defending their congregation, the Catholic Church continues to let their nonprofit Catholic hospitals price gouge Hispanics, while making billions of dollars and paying their executives excessive salaries.

Based on the findings of this investigative report, Consejo de Latinos Unidos recommends the following:

1. The Bishops in the Catholic Church must use their moral authority to force the hospitals that are acting in the name of Christ to return to their mission statement.
2. The nonprofit Catholic hospitals must adopt the Daughters of Charity Health System Financial Assistance Policy and reduce the charges to the uninsured.
3. The U.S. Congress must close the loophole that allows nonprofit hospitals to make huge profits and accumulate massive amounts of cash while neglecting their obligation to fund local schools and stabilize property taxes for working Americans.
4. The IRS must revoke the nonprofit status of nonprofit hospitals when their executives receive excessive compensation.

About the Consejo de Latinos Unidos

The Consejo de Latinos Unidos, a national nonprofit organization which educates and assists Latinos and others in the areas of health care, immigration, education, and police protection, is supported almost exclusively by non-profit organizations.

Consejo has offices in East Los Angeles and Miami. Consejo receives no funding from insurance companies, political parties, or labor unions.

In 2003, Consejo was credited by *The Wall Street Journal* with “a big win” after forcing the nation’s second largest hospital chain, Tenet Healthcare, to change its aggressive billing practices against the uninsured. The uninsured are now charged the same prices insurance companies pay for the exact same care.

The Consejo has issued several reports including: *Cinco*, a report on hospital price gouging in Southern California (2001); *Ahora*, a report on allegations of police brutality in Southern California (2002); *Infierno*, a report on hospital price gouging in Chicago, Denver, Oklahoma City, and Orlando (2003); *Unconscionable*, a report on hospital price gouging and unfair trade practices in Fort Myers, Florida (2003); *Esperanza*, a report on aggressive court activity and hospital price gouging in Miami, Florida (2004); *Engañar*, a report on HCA’s Discount for the Uninsured program and deceptive corporate conduct (2004); and *La Muerte*, an investigative report on the marketing of deadly pain-killer Vioxx in Puerto Rico (2005) .