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United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510–6275

To: Members of the Senate Judiciary and Finance Committees
From: Senator Grassley, Chairman of the Judiciary Committee
Member, Senate Finance Committee
Date: May 24, 2016
Re: Mosaic Life-Care

Dear Fellow Committee Members:

Mosaic Life-Care is a 501(c)(3) non-profit charitable hospital that provides care to low-income persons in Kansas, Missouri, and Nebraska, with the vast majority of its locations in Missouri. In December 2014, news reports alleged that Mosaic Life-Care in Missouri had placed thousands of accounts in collection.[1] So rather than providing charity care to low income patients, reports indicated that Mosaic was sending debt collectors after them. As a non-profit entity, Mosaic receives the benefit of tax-exempt status. As a condition of that status, Mosaic has a responsibility to provide charitable care to those who need it most. On January 16, 2015, I sent a letter to Mosaic beginning an investigation into the facts and circumstances of its billing and collection processes in an effort to ensure that low-income persons were being treated fairly.

During the course of the investigation, Mosaic took the position that it had not mistakenly placed thousands of accounts in collection even though the company itself later identified many of these accounts as qualifying for Mosaic's financial assistance, Medicaid, or private insurance. Instead, Mosaic asserted that these patients had failed to file for financial assistance. Thus, many patients were caught in a vicious debt collection cycle that they should never have been in. Given that thousands of accounts were placed in collection and later qualified for financial assistance, there was concern that Mosaic was not adequately informing patients of their rights and instead engaging in aggressive collection actions. I made my concerns clear to Mosaic and emphasized that many low-income patients may never be able to pay off their debt amounts.

[1] Paul Kiel and Chris Arnold, *From the E.R. to the Courtroom: How Nonprofit Hospitals are Seizing Patients' Wages*, PROPUBLICA (Dec. 19, 2014), http://www.propublica.org/article/how-nonprofit-hospitals-are-seizing-patients-wages.

After extended communications between my investigative staff and Mosaic, I inquired whether Mosaic would be willing to forgive the debt of some accounts that had already been placed in collection or had been subject to legal action, given that many low-income persons may not have been aware of available financial assistance and thus may not have properly applied.

In response, Mosaic created a three-month debt forgiveness period from October 1, 2015 to December 31, 2015, where all individuals could apply or re-apply for financial assistance. These accounts included those in collection as well as those already subject to legal action. Importantly, during the three-month period Mosaic lowered the threshold by which accounts would qualify for financial assistance thereby allowing more people to qualify.

The debt forgiveness period resulted in 5,542 financial assistance applications of which 5,070 were approved. A total of $16,885,358 in debt, interest, and legal fees was forgiven with average debt forgiveness at $5,052. According to Mosaic, all accounts were not improperly placed in collections or incorrectly subjected to legal action. Rather, because of the lowered threshold for financial assistance during the debt forgiveness period, the accounts qualified for financial assistance. Attached to this letter is a more detailed breakdown of the debt forgiveness results.

With respect to my inquiry relating to Mosaic's billing and collection practices, Mosaic has made the following policy changes:

1. Mosaic will no longer charge interest on accounts until final judgment.
2. The four-statement cycle with financial assistance availability notification was extended to a six-statement cycle containing financial assistance availability notification. Patients will have a total of 180 days of direct notification of financial assistance prior to being sent to collections.
3. Seven Resource Advocates were hired to assist with Medicaid, Supplemental Assistance Program, and Social Security Disability applications.
4. Two additional Financial Counselors have been assigned to solely focus on assisting patients navigate the financial assistance process. Mosaic will be hiring an additional Financial Counselor who will be dedicated to its outpatient clinic.
5. Five Patient Financial Service representatives have been assigned with ensuring the timely processing of financial assistance applications.

Mosaic deserves credit for doing the right thing after its practices were scrutinized, but it should not take Congressional and press attention to ensure that tax-exempt, charitable organizations are focused on their mission of helping those in need. Congress, via its oversight powers, can help ensure that non-profit hospitals appropriately manage their responsibilities to low-income communities. That is, after all, one of the reasons why we created the tax-exempt status for charitable institutions in the first place.

It is unclear how many other charitable institutions may be engaging in similar practices. However, vigorous oversight is vital to finding and fixing other examples of such abuse. That is why I wanted to share the most recent results of this inquiry with my fellow Committee members, given the importance of this issue to the Finance Committee's oversight and potential legislative work. Please contact me or Josh Flynn-Brown of my Judiciary Committee staff if you have further questions.

Sincerely,

Charles E. Grassley
Chairman
Committee on the Judiciary

Medical Debt Forgiveness Period - October 1, 2015 – December 30, 2015

Results:

5542 Financial assistance applications received
5070 Financial assistance applications approved
4318 people received 100% debt elimination
752 people had 50% of their debt and all interest and legal fees forgiven
472 people had only their interest and legal fees forgiven
472 Financial assistance applications did not qualify

$16,885,358 debt, interest, and legal fees forgiven which represents roughly 3.88% of all estimated outstanding debt

- $16,383,685 was debt
- $501,673 was interest and legal fees
    - Of this amount, 70% was interest, 30% were legal fees

Range of debt relief

- Low $.23
- High $224,707.10
- Median $5,052

Range of Legal fee relief

- Low $0.80
- High $3,583.69
- Median $173.00

Range of Interest relief

Pre interest

- Low $0.02
- High $29,701.14
- Median $14.82

Post Interest

- Low $0.01
- High $63,080.48
- Median $25.21

Changes to Mosaic's billing policy going forward

1. Beginning in 2016, the current four-statement cycle with financial assistance availability notification will extend to a six-statement cycle containing financial assistance availability notification. Thus, patients will have a total of at least six months (180 days) of direct notification of the availability of financial assistance prior to being sent to collections. Patients are still eligible to apply for financial assistance after being sent to collections for at least 240 days from the first post–discharge billing statement.

2. Mosaic will no longer charge interest on accounts until final judgment.

3. Seven Resource Advocates were hired under the Mosaic Advocacy Project (MAP) team. These advocates assist with Medicaid applications and have expanded to securing Supplemental Nutrition Assistance Program (SNAP) and social security disability applications.

   The MAP team freed up two internal Enterprise Financial Counselors solely focused on helping patients navigate our financial assistance process for discounted care.

   Five Patient Financial Service (PFS) representatives have been tasked with ensuring the timely processing of financial assistance applications.

   In the process of hiring an additional Financial Counselor that will be dedicated to a new outpatient clinic focused on serving low-income patients.