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# United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

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August 29, 2008

James L. Madara, MD  
Chief Executive Officer  
University of Chicago Medical Center  
5841 S. Maryland Avenue, MC 1000  
Chicago, IL 60637

Dear Dr. Madara:

For more than five years, first as Chairman of the U.S. Senate Committee on Finance and now as its Ranking Member, I have reviewed the practices of tax-exempt organizations, including tax-exempt hospitals. The Committee has exclusive jurisdiction in the Senate over federal tax policy, including the policy governing the billions of dollars donated to and controlled by tax-exempt organizations. In addition, the Committee has exclusive jurisdiction over Medicare and Medicaid.

In 2005, I wrote to ten tax-exempt hospitals and, in 2006, issued a report on the responses to those letters and chaired a hearing on this report. I also instructed my staff to propose standards for tax-exempt hospitals to ensure that they are conducting charitable activities commensurate with their financial resources so the tax benefits they receive are justified. This proposal was discussed at a roundtable I convened in 2007.

Tax-exempt hospitals, including University of Chicago Medical Center ("UCMC"), receive tax subsidies from federal, state, and local governments. These subsidies include exemption from income, property and sales taxes as well as the ability to raise capital through tax-deductible contributions and the issuance of tax-exempt bonds. UCMC is also a participant in the Medicare and Medicaid programs and is the recipient of federal grants. Given all of the federal benefits UCMC receives, I am troubled by the August 22, 2008 article in *The Washington Post* regarding UCMC's activities.

In order to understand UCMC's operations, I request responses to the following. For each response, repeat the enumerated request.

## General

1. If UCMC is a legal entity separate from the University of Chicago, please provide copies of its articles of incorporation and by-laws.

2. List all of the facilities associated with UCMC in the United States and abroad. Indicate the jurisdiction in which each is incorporated, if applicable.
3. Provide a list of UCMC's outstanding tax-exempt bond issuances and indicate the purpose for which they were issued.
4. Provide copies of all Certificate of Need applications filed with the Illinois Department of Health and copies of the respective approvals or denials.
5. Describe UCMC's policies governing the conduct of political activity at UCMC facilities, including solicitation of contributions or other fundraising activity.

**Charity Care & Community Benefits**

6. The Financial Assistance Policy attached to Form AG-CBP-1, *Annual Non Profit Hospital Community Benefits Plan Report*, filed with the Illinois Attorney General for the year ended June 30, 2006, indicates that patients can receive a discount of 25% to 100% depending on the level of poverty.
  - a. Explain why this information is not listed on the "Financial Assistance" page of the UCMC website.
  - b. Explain how and where this information is displayed within UCMC facilities.
  - c. What other programs and activities, if any, does UCMC conduct to promote the policy and where and how often are these programs and activities conducted?
7. Does UCMC solicit donations or have dedicated endowment funds for patients available for financial assistance?
8. Does UCMC budget amounts for free or discounted care under the Financial Assistance Policy? If yes, answer the following.
  - a. Provide data on the extent to which UCMC's actual expenses for such care for each of the last five years exceeded, met or did not exceed the budgeted amount.
  - b. Was the organization unable to provide free or discounted care during any of the last five years to patients who might otherwise be eligible under the policy because of such budget constraints? If so, please indicate which year(s) patients were not able to receive free or discounted care, and provide a detailed breakdown of the amounts involved and the number of patients affected.
9. Are admissions or billing staff required to explain the financial assistance policy to patients who would qualify for financial assistance? If yes, discuss whether such explanations are provided during initial consultations, upon admission, when first billed or at another time.

10. Does UCMC train staff on the financial assistance policy? If yes, please describe what this training entails, which staff receives this training and how often this training occurs.
11. Provide copies of any community needs assessments completed within the last ten years.
12. Provide a detailed breakdown of the uncompensated care provided by UCMC in each of the previous five years and also provide a breakdown of how much of UCMC's uncompensated care costs are attributed to bad debt, variations from Medicare or Medicaid reimbursements as compared to cost of providing care, or free or discounted care.
13. Describe UCMC's methodology for determining or calculating costs when determining variations from Medicare or Medicaid reimbursements from costs.
14. What are UCMC's total reimbursements from Medicaid for each of the last three years and what are the costs associated with such reimbursements?
15. What are UCMC's total reimbursements from Medicare for each of the last three years?
  - a. What is the amount of Medicare allowable costs related to the total Medicare revenue for each of the last three years?
  - b. Explain the extent to which any shortfall between Medicare reimbursements and Medicare allowable costs are deemed charity care or community benefit.
16. Does UCMC participate in any other means-tested government health programs? If yes, list each program and their respective reimbursements and costs for each of the last three years.
17. Provide Schedule S-10 of the Medicare cost report for the past three years, if completed.
18. Describe how UCMC calculated the following amounts reported on Form-AG-CPB-1.
  - a. Charity Care: \$10,026,716
  - b. Government Sponsored Indigent Health Care: \$87,192,866
  - c. Bad debts: \$55,330,000

**South Side Health Collaborative/Urban Health Initiative**

19. Please describe each of these programs including their history, mission, accomplishments, and revenues and losses since inception as well as the reduction in emergency room visits resulting from these programs.
20. Provide minutes of board or other executive meetings documenting the decision to launch these programs.

21. Describe how UCMC funds these programs
  - a. Indicate whether UCMC solicit donations for these programs.
  - b. Describe how UCMC supports the participating facilities, financially or otherwise.
22. Describe how UCMC selects patients for participation in these programs.
  - a. Indicate the number of patients UCMC has referred to these programs.
  - b. Describe the most common reasons for referring patients to these programs.
  - c. Describe, how, if at all, UCMC follows-up on patients referred to these programs.
  - d. Describe UCMC's marketing and outreach efforts for these programs.
23. List all UCMC and non-UCMC facilities that participate in these programs.
  - a. Explain how UCMC selects participating facilities.
  - b. Explain whether these facilities are tax-exempt or taxable entities.
  - c. Indicate whether these facilities have adopted UCMC's financial assistance policy and how they promote these facilities.
  - d. List all individuals who are officers, directors, trustees, or key employees for UCMC and any participating facility.

**Compensation & Transactions with Interested Persons**

24. Describe UCMC's policy governing requests for leave without pay, including which employees are eligible for the benefit, whether and how duties and responsibilities are reassigned during such leaves and the approval criteria for such leaves.
  - a. Indicate the number of leave requests UCMC considered for the last five years and the numbers approved or denied.
  - b. Describe the most common reasons for such requests.
25. Provide the job description for Executive Vice-President for Strategic Affiliations and Associate Dean for Community-Based Research.
  - a. Describe the hiring and selection process for this position, including when the position was created, whether the vacancy was publicly announced and the criteria for selection.
  - b. Describe the current compensation package for this position and how this package was calculated.
  - c. Indicate who is currently fulfilling these duties.
26. Provide the job description for Vice President of Community and External Relations.
  - a. Describe the hiring and selection process for this position, including when the position was created, whether the vacancy was publicly announced and the criteria for selection.
  - b. Describe the current compensation package for this position and how this package was calculated.
  - c. Indicate who is currently fulfilling these duties.

27. Does UCMC have a written conflict of interest policy? If yes, provide a copy and answer the following.
  - a. If the policy does not address loans or business relationships, explain what policies, if any, UCMC has covering these?
  - b. What procedures does your hospital use to monitor and enforce the policy?
28. Does UCMC have a written policy governing the contracts, joint ventures or other financial arrangements with officers, directors, trustees, key employees or other physicians? If yes, please provide a copy of the policy.
29. Describe UCMC's procedures for awarding contracts, including whether all such contracts are subject to open competition.
30. Indicate when and why UCMC decided it needed public relations and polling services.
  - a. Describe how UCMC selected the firms to provide these services and deliverables provided by these organizations and total compensation to date.
  - b. Provide copies of all proposals UCMC received for these services, including estimated costs.
  - c. Provide copies of all minutes or other documentation evidencing the selection of firms for these services, including a list of individuals participating in the decision.
31. Provide copies of all proposals submitted in the 2005 competition for the upgrade of UCMC's intranet.
  - a. Describe how UCMC selected a contractor, the services and deliverables provided and the total compensation to date.
  - b. Provide copies of all minutes or other document evidencing the selection of a contractor, including a list of individuals participating in the decision.
  - c. Provide a list of minority contractors UCMC hired and the services they provided for the last five years.

**Center for International Patients**

32. Provide the number of international patients treated by UCMC for each of the last five years.
33. Describe UCMC's marketing and outreach efforts to attract international patients and all expenses associated with these activities.
34. List the insurance companies with which UCMC contracts or otherwise negotiates for international patients.
  - a. Indicate the average discount from chargemaster rates provided to international patients.
  - b. For international patients without insurance, indicate the average discount from chargemaster rates provided to them.

35. Provide financial statements for UCMC's international patients program for each of the last five years.
- Indicate the number of UCMC employees assigned to work solely with international patients, their position descriptions and salary scales.
  - Indicate gross charges for international patients and as well as the amounts billed and collected.
  - Indicate total expenses related to international patients and separately state the costs for each of the following services UCMC provides for international patients: formal second opinions, doctor appointments, travel coordination, medical transport services, hotels and other accommodations, language interpretation and financial transaction assistance.

### **Insurance Coverage**

36. List the top five insurance companies (by gross charges) with which UCMC has contracts.
- Indicate the average discount from chargemaster rates provided to each.
  - Provide an estimate of the average premiums patients must pay to participate in these plans, if known.
37. Describe how UCMC chooses which insurance companies with which it will contract.
38. Explain how your hospital calculates charges for patients without insurance, limited insurance or with insurance plans in which UCMC does not participate.
- Indicate the criteria for determining discounts, if any, for such patients.
  - Explain how, if it all, your hospital assists patients in seeking reimbursements from insurance companies with which you do not have a contract.

### **Billing & Collections**

39. What is UCMC's policy or procedure for billing and collection staff for informing patients of other tax-exempt organizations that can assist patients manage their medical debt?
40. What is UCMC's debt collection policy? Provide a copy of the policy as it is in effect today and all previous iterations of the policy.
- What guidance does UCMC provide regarding collections practices for patients who are known to qualify for financial assistance?
  - What criteria are used to determine whether to refer a patient account for collection?
  - Does UCMC contract with third party collection agencies? If so, provide copies of your contracts with third party collection agencies over the previous three years.
  - What is UCMC's policy for negotiating bills with patients prior to referring the patients to a collection agency?

- e. How many lawsuits did UCMC, or its hired collection agencies, file against patients for the preceding five calendar years. For each lawsuit, provide information on the reason for the lawsuit, the amount demanded, the disposition of the lawsuit and the amount recovered, if any.
41. Provide the total amount and percentage breakdown of the accounts referred to hired collection agencies and the number that were closed due to receipt of payment in each of the previous three years.

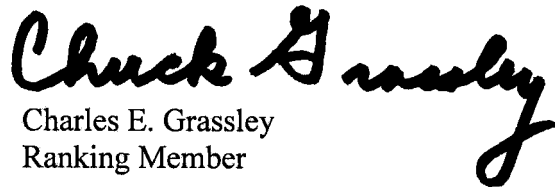
**Federal Sponsored Research**

42. Does UCMC make the findings from its research generally available to the public?
43. What portion of research funds are used to pay salaries or other compensation of medical staff, including physicians or researchers?
44. Did UCMC use research funds to invest in, contribute assets to, or participate in a joint venture or other similar arrangements involving (1) officers, directors, trustees, or management officials of UCMC; (2) physicians who are employed by or have staff privileges at UCMC or any of its affiliates; or (3) research scientists UCMC employs or retains as independent contractors? If so, please provide information on the identity of each such individual, the amount of research funds used to invest in, contribute assets to or participate in a joint venture or other similar arrangements, and any gains or losses to date.
45. Indicate at which facilities UCMC conducts research. If funds are used to conduct research overseas, indicate how the funds are used and how foreign institutions benefit from such research.
46. List all patents and other intellectual property rights UCMC owns.
- a. Indicate whether the property rights devolved from UCMC's own work or were contributed.
  - b. For those contributed, indicate by whom and when.

Thank you for your cooperation and assistance in this matter. In cooperating with this review, no documents, records, data, or information related to these matters shall be destroyed, modified, removed or otherwise made inaccessible to the committee.

I look forward to hearing from you no later than September 30, 2008. I encourage you to contact my staff if you have any questions about the information requested above and to discuss the format in which to submit the materials. You can reach Theresa Pattara at (202) 224-4515.

Sincerely,

  
Charles E. Grassley  
Ranking Member

cc: The Honorable Max Baucus  
Chairman, U.S. Senate Committee on Finance



## **GENERAL INSTRUCTIONS**

1. In complying with this document request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. In addition, produce documents that you have a legal right to obtain, documents that you have a right to copy or have access to, and documents that you have placed in the temporary possession, custody, or control of any third party.
2. No documents, records, data or information requested by the Committee shall be destroyed, modified, removed or otherwise made inaccessible to the Committee.
3. If the document request cannot be complied with in full, it shall be complied with to the extent possible, which shall include an explanation of why full compliance is not possible.
4. In complying with this document request, respond to each enumerated request by repeating the enumerated request and identifying the responsive document(s).
5. In the event that a document is withheld on the basis of privilege, provide the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
6. Each document produced shall be produced in a form that renders the document susceptible of copying.
7. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same document.
8. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances by which the document ceased to be in your possession, or control.
9. This request is continuing in nature. Any document, record, compilation of data or information, not produced because it has not been located or discovered by the return date, shall be produced immediately upon location or discovery subsequent thereto.
10. All documents shall be Bates stamped sequentially and produced sequentially.

## **GENERAL DEFINITIONS**

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to the following: memoranda, reports, statistical or analytical reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (E-mail), contracts, cables, notations of any type of conversation, telephone call,

meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, discs, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disc, or videotape. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term "records" is to be construed in the broadest sense and shall mean any written or graphic material, however produced or reproduced, of any kind or description, consisting of the original and any non-identical copy (whether different from the original because of notes made on or attached to such copy or otherwise) and drafts and both sides thereof, whether printed or recorded electronically or magnetically or stored in any type of data bank, including, but not limited to, the following: correspondence, memoranda, records, summaries of personal conversations or interviews, minutes or records of meetings or conferences, opinions or reports of consultants, projections, statistical statements, drafts, contracts, agreements, purchase orders, invoices, confirmations, telegraphs, telexes, agendas, books, notes, pamphlets, periodicals, reports, studies, evaluations, opinions, logs, diaries, desk calendars, appointment books, tape recordings, video recordings, e-mails, voice mails, computer tapes, or other computer stored matter, magnetic tapes, microfilm, microfiche, punch cards, all other records kept by electronic, photographic, or mechanical means, charts, photographs, notebooks, drawings, plans, inter-office communications, intra-office and intra-departmental communications, transcripts, checks and canceled checks, bank statements, ledgers, books, records or statements of accounts, and papers and things similar to any of the foregoing, however denominated.
3. The terms "relate," "related," "relating," or "regarding" as to any given subject means anything that discusses, concerns, reflects, constitutes, contains, embodies, identifies, deals with, or is any manner whatsoever pertinent to that subject, including but not limited to documents concerning the preparation of other documents.
4. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this document request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa to bring within the scope of this document request any information which might otherwise be construed to be outside its scope. The

masculine includes the feminine and neuter genders to bring within the scope of this document request any information that might otherwise be construed to be outside its scope.

5. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, written, electronic, by document or otherwise, and whether face to face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise. Documents that typically reflect a “communication” include handwritten notes, telephone memoranda slips, daily appointment books and diaries, bills, checks, correspondence and memoranda, and includes all drafts of such documents.