

CHUCK GRASSLEY, IOWA
CHAIRMAN

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

January 16, 2015

VIA ELECTRONIC TRANSMISSION

Dr. Mark Laney
President and CEO
Mosaic Life Care
5325 Faraon Street
St. Joseph, MO 64506

Dear Dr. Laney:

Last month, it was reported that Mosaic Life Care (previously Heartland Regional Medical Center) is suing low income patients to force them to pay their hospital bills, even when those patients were eligible for financial assistance and discounted treatment.¹ As a nonprofit hospital, Mosaic is required to offer community benefit in exchange for its tax-exempt status.² Additional requirements for nonprofit hospitals that I authored were enacted into law in 2010.³ Among other things, these reforms include specific financial assistance policy requirements and restrictions on the use of certain billing and collection practices.⁴

However, a recent news article has given me cause to believe that Mosaic's financial assistance, billing, and collection practices may fail to live up to the community benefits standard and/or fail to adhere to the additional requirements for charitable hospitals.⁵ Reports detail a number of instances where Mosaic failed to identify patients who would qualify for financial assistance and who have since been subject to abusive billing and collection practices. The practices appear to be extremely punitive and unfair to both low income patients and taxpayers who subsidize charitable hospitals' tax breaks.

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

² Rev. Rul. 69-545, 1969-2 C.B. 117.

³ P.L. 111-148

⁴ IRC § 501(r)

⁵ Keil and Arnold

According to reports, Mosaic utilizes Northwest Financial Services – an in-house for-profit debt collection agency – when patients fail to pay their hospital bills, and then sues the patients if they do not provide payment in full.⁶ Between 2009 and 2013, Northwest filed over 11,000 lawsuits against Heartland patients.⁷ During that time, Northwest garnished the pay of approximately 6000 patients and collected at least \$12 million from them.⁸

Mosaic, through Northwest, has sued more of its patients than any other Missouri hospital.⁹

The majority of patients sent to collections or subjected to lawsuits by Northwest were uninsured persons who were eligible for financial aid.¹⁰ Even so, many were charged full price for their medical care, in addition to fines and late fees.¹¹ Mosaic spokesman Tracey Clark stated that many people do not receive charity care because it is reserved for patients who “seek it and legitimately work with us.” This is in direct contradiction to the law, which requires charitable hospitals to create a publicly available financial assistance policy (FAP) and make “reasonable efforts to determine whether an individual is FAP-eligible before engaging in extraordinary collection actions.”¹²

It appears that Mosaic may not be meeting the requirements to be a nonprofit, tax exempt hospital. In fact, Mosaic made a \$45 million profit last year, while suing its patients for millions of dollars they could not afford.¹³ While Mosaic’s compliance with the letter of the law is in question, it is arguably not following the spirit of the law when it comes to providing a community benefit and adhering to the charitable hospital requirements.

In light of these developments, Mosaic announced last month that it would review its billing and collections practices. That is encouraging, and I look forward to learning about Mosaic’s findings.¹⁴ However, I am concerned about Mosaic’s past implementation of its financial assistance program and whether it is meeting requirements.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² Additional Requirements for Charitable Hospitals; Community Health Needs Assessments for Charitable Hospitals; Requirements of a Excise Tax Return and Time for Filing the Return” (REG-130266-11; REG-106499-12; REG-115300-13).

¹³ *See supra*, Note 1.

¹⁴ St. Joe Channel, “Mosaic to Review Billing Practices after NPR Report,” December 19, 2014.

Accordingly, please provide answers to the following questions:

1. Please provide a briefing to my staff on the status of Mosaic's review of billing and collections practices, including any actions Mosaic will take as a result of the review.
2. How much money has Mosaic/Northwest collected from delinquent patients? Please provide a breakdown of the amount collected and the number of patients collected from per year from 2009 to present.
 - a. How many of these patients are eligible for financial aid?
3. How much charitable care does Mosaic provide per year? Please provide a breakdown of charity care provided per year from 2009 to present, including Mosaic's methodology for calculating charitable care and what programs and services are included in that calculation, as well as the amounts allocated for each category within the calculation.
4. How does Mosaic determine whether to refer a case for debt collection? Please provide a copy of any and all policies related to patient debt collection.
5. What efforts does Mosaic make to determine whether patients are eligible for discounted care before making collection actions?
6. What efforts does Mosaic make to inform patients of the availability of financial assistance before engaging in collections? Please provide Mosaic's written Financial Assistance Policy and policy on emergency medical care.
7. How has Mosaic's financial assistance, billing, and collection practices changed since the enactment of the additional requirements for charitable hospitals in 2010?
8. Has Mosaic fully implemented all changes as required by law? If not, please list any requirements that have not been met and explain why Mosaic has not implemented them to date.

Thank you for your cooperation and attention to this matter. I would appreciate a response by January 30, 2015. If you have any questions, please do not hesitate to contact Tegan Millspaw of my Committee staff at (202) 224-5225.

Sincerely,

A handwritten signature in blue ink that reads "Chuck Grassley". The signature is written in a cursive, flowing style.

Charles E. Grassley, Chairman
Committee on the Judiciary