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PROFITS OVER PATIENTS

They Were Entitled to Free Care. Hospitals Hounded Them to Pay.

With the help of a consulting firm, the Providence hospital system trained staff to wring money out of patients, even those eligible for free care.

By Jessica Silver-Greenberg and Katie Thomas

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In 2018, senior executives at one of the country's largest nonprofit hospital chains, Providence, were frustrated. They were spending hundreds of millions of dollars providing free health care to patients. It was eating into their bottom line.

The executives, led by Providence's chief financial officer at the time, devised a solution: a program called Rev-Up.

Rev-Up provided Providence's employees with a detailed playbook for wringing money out of patients — even those who were supposed to receive free care because of their low incomes, a New York Times investigation found.

In training materials obtained by The Times, members of the hospital staff were instructed how to approach patients and pressure them to pay.

"Ask every patient, every time," the materials said. Instead of using "weak" phrases — like "Would you mind paying?" — employees were told to ask how patients wanted to pay. Soliciting money "is part of your role. It's not an option."

If patients did not pay, Providence sent debt collectors to pursue them.

More than half the nation's roughly 5,000 hospitals are nonprofits like Providence. They enjoy lucrative tax exemptions; Providence avoids more than $1 billion a year in taxes. In exchange, the Internal Revenue Service requires them to provide services, such as free care for the poor, that benefit the communities in which they operate.

But in recent decades, many of the hospitals have become virtually indistinguishable from for-profit companies, adopting an unrelenting focus on the bottom line and straying from their traditional charitable missions.

To understand the shift, The Times reviewed thousands of pages of court records, internal hospital financial records and memos, tax filings, and complaints filed with regulators, and interviewed dozens of patients, lawyers, current and former hospital executives, doctors, nurses and consultants.

The Times found that the consequences have been stark. Many nonprofit hospitals were ill equipped for a flood of critically sick Covid-19 patients because they had been operating with skeleton staffs in an effort to cut costs and boost profits. Others lacked intensive care units and other resources to weather a pandemic because the nonprofit chains that owned them had focused on investments in rich communities at the expense of poorer ones.

And, as Providence illustrates, some hospital systems have not only reduced their emphasis on providing free care to the poor but also developed elaborate systems to convert needy patients into sources of revenue. The result, in the case of Providence, is that thousands of poor patients were saddled with debts that they never should have owed, The Times found.

Founded by nuns in the 1850s, Providence says its mission is to be "steadfast in serving all, especially those who are poor and vulnerable." Today, based in Renton, Wash., Providence is one of the largest nonprofit health systems in the country, with 51 hospitals and more than 900 clinics. Its revenue last year exceeded $27 billion.

Providence is sitting on $10 billion that it invests, Wall Street-style, alongside top private equity firms. It even runs its own venture capital fund.

In 2018, before the Rev-Up program kicked in, Providence spent 1.24 percent of its expenses on charity care, a standard way of measuring how much free care hospitals provide. That was below the average of 2 percent for nonprofit hospitals nationwide, according to an analysis of hospital financial records by Ge Bai, a professor at the Johns Hopkins Bloomberg School of Public Health.

By last year, Providence's spending on charity care had fallen below 1 percent of its expenses.

The Affordable Care Act requires nonprofit hospitals to make their financial assistance policies public, such as by posting them in hospital waiting rooms. But the federal law does not dictate who is eligible for free care.

Bev Kolpin, a former Providence employee in Oregon, was billed $8,000 despite being eligible for discounted care. Jovelle Tamayo for The New York Times

Ten states, however, have adopted their own laws that specify which patients, based on their income and family size, qualify for free or discounted care. Among them is Washington, where Providence is based. All hospitals in the state must provide free care for anyone who makes under 300 percent of the federal poverty level. For a family of four, that threshold is $83,250 a year.

In February, Bob Ferguson, the state's attorney general, accused Providence of violating state law, in part by using debt collectors to pursue more than 55,000 patient accounts. The suit alleged that Providence wrongly claimed those patients owed a total of more than $73 million.

Providence, which is fighting the lawsuit, has said it will stop using debt collectors to pursue money from low-income patients who should qualify for free care in Washington.

But The Times found that the problems extend beyond Washington. In interviews, patients in California and Oregon who qualified for free care said they had been charged thousands of dollars and then harassed by collection agents. Many saw their credit scores ruined. Others had to cut back on groceries to pay what Providence claimed they owed. In both states, nonprofit hospitals are required by law to provide low-income patients with free or discounted care.

"I felt a little betrayed," said Bev Kolpin, 57, who had worked as a sonogram technician at a Providence hospital in Oregon. Then she went on unpaid leave to have surgery to remove a cyst. The hospital billed her $8,000 even though she was eligible for discounted care, she said. "I had worked for them and given them so much, and they didn't give me anything." (The hospital forgave her debt only after a lawyer contacted Providence on Ms. Kolpin's behalf.)

Gregory Hoffman, Providence's chief financial officer, said in an interview that The Times's findings about the hospital system's treatment of poor patients "are very concerning and have our attention." He said Providence wanted "to get things right, on behalf of our communities and on behalf of our patients," though he acknowledged that the Rev-Up program initially had "some hiccups," including sending Medicaid patients to debt collectors.

Melissa Tizon, a spokeswoman for Providence, said the health system stopped doing that in December, although that was two years after an executive raised internal alarms about the practice. Providence has also instructed the debt collection firms it works with to not use "any aggressive tactics such as garnishing wages or reporting delinquent accounts to credit agencies," she said.

Ms. Tizon said Providence was the largest provider of charity care in Washington. While the hospital system has been providing less of that care in recent years, she said, Providence has been treating more patients on Medicaid, the federal-state insurance program for poor people.

"Our practices comply with and in many instances exceed state requirements," she said.

Paying With Poultry

The Providence hospital in Olympia, Wash., billed Harriet Haffner-Ratliffe, who was eligible for charity care, almost $2,300 after she gave birth to twins. Jovelle Tamayo for The New York Times

Providence's transformation from a small charitable organization to a huge hospital system mirrors the story of the country's nonprofit hospitals.

Providence was founded in 1856 when, at the request of a local bishop, Mother Joseph and four other nuns from the Sisters of Providence trekked from Montreal to Vancouver, Wash., to provide services to the poor. Their first hospital, St. Joseph, was a single room with four beds. The hospital charged patients $1 a day, not including extras like whiskey.

Patients rarely paid in cash, sometimes offering chickens, ducks and blankets in exchange for care.

At the time, hospitals in the United States were set up to do what Providence did — provide inexpensive care to the poor. Wealthier people usually hired doctors to treat them at home.

Given their work serving the indigent, hospitals were exempted from state and federal taxes.

That system remained relatively unchanged until the federal government created Medicare and Medicaid in the 1960s. Millions more people suddenly had insurance that covered medical expenses.

The I.R.S. began allowing hospitals to justify their tax exemptions by providing a broader range of loosely defined benefits to their communities beyond treating patients for free. Some hospitals took advantage of the new leeway, arguing that things like employees' salaries counted toward the I.R.S. requirement.

Top government officials warned that hospitals were abusing their privileged status as nonprofits.

"Some tax-exempt health care providers may not differ markedly from for-profit providers in their operations, their attention to the benefit of the community or their levels of charity care," the I.R.S. commissioner Mark W. Everson wrote to the Senate in 2005.

Some hospital executives have embraced the comparison to for-profit companies. Dr. Rod Hochman, Providence's chief executive, told an industry publication in 2021 that "'nonprofit health care' is a misnomer."

"It is tax-exempt health care," he said. "It still makes profits."

Those profits, he added, support the hospital's mission. "Every dollar we make is going to go right back into Seattle, Portland, Los Angeles, Alaska and Montana."

Since Dr. Hochman took over in 2013, Providence has become a financial powerhouse. Last year, it earned $1.2 billion in profits through investments. (So far this year, Providence has lost money.)

Providence also owes some of its wealth to its nonprofit status. In 2019, the latest year available, Providence received roughly $1.2 billion in federal, state and local tax breaks, according to the Lown Institute, a think tank that studies health care.

The greater the hospital system's profits, the more money it could pump into expanding. In addition, the greater its cash reserves, the stronger its credit rating. A pristine rating allowed Providence to inexpensively borrow money, which it could then funnel into further growth.

Over the past decade, Providence has opened or acquired 18 hospitals. Dr. Hochman earned $10 million in 2020.

'Don't Accept the First No'

Ms. Haffner-Ratliffe’s debt from the birth of her sons continues to have financial repercussions five years later. Jovelle Tamayo for The New York Times

Even before the Rev-Up program, Providence was collecting money from poor patients, sometimes in violation of state laws, according to five current and former executives and a review of patient complaints filed with regulators.

Harriet Haffner-Ratliffe, 20, gave birth to twins at a Providence hospital in Olympia, Wash., in 2017. She was eligible under state law for charity care.

Providence did not inform her. Instead it billed her almost $2,300. The hospital put her on a roughly $100-a-month payment plan.

It was more than Ms. Haffner-Ratliffe, who was unemployed, could afford. She had to ration gas for her car. One day, her boyfriend walked into their apartment and found her surrounded by bills, crying. When she fell behind on the payments, Providence dispatched a debt collector to pursue her.

For people already on the financial brink, debt collection companies can push them over the edge. The companies often inform credit-rating firms about patients’ debts, which can torpedo their credit scores. That, in turn, can make it much harder and more expensive to buy or rent a car or home or to borrow money.

Ms. Haffner-Ratliffe’s ordeal chopped her credit score by about 200 points. For years, she couldn’t get a credit card. (Ms. Tizon, the Providence spokeswoman, said that the hospital had told Ms. Haffner-Ratliffe about how to seek financial aid but that she had not completed her application. Ms. Haffner-Ratliffe and her parents dispute that.)

Around that time, in 2018, Providence was looking for ways to save money. It had recently merged with another nonprofit hospital system, and integrating the two was expensive.

Providence turned to the consulting firm McKinsey & Company. The firm’s assignment was to maximize the money that Providence collected from its patients, the five current and former executives said. In essence, the hospital system wanted to apply the tactics it had used with Ms. Haffner-Ratliffe to even more patients.

McKinsey’s solution was Rev-Up, whose name was an apparent reference to the goal of accelerating revenue growth.

Training materials instructed administrative staff to tell patients — no matter how poor — that “payment is expected,” according to documents included in Washington’s lawsuit and training materials obtained by The Times. Six current and former hospital employees said in interviews that they had been told not to mention the financial aid that states like Washington required Providence to provide.

One training document, titled “Don’t accept the first No,” led staff through a series of questions to ask patients. The first was “How would you like to pay that today?” If that did not work, employees were told to ask for half the balance. Failing that, staff could offer to set up a payment plan. Only as a last resort, the documents explained, should workers tell patients that they may be eligible for financial assistance.

Another training document explained what to do if patients expressed surprise that a charitable hospital was pressuring them to pay. The suggested response: “We are a nonprofit. However, we want to inform our patients of their balances as soon as possible and help the hospital invest in patient care by reducing billing costs.”

Staff members were then instructed to shift the conversation to “how would you like to take care of this today?”

Exhorting employees to do their jobs well, some versions of the training materials invoked a famous line from a speech by the Rev. Dr. Martin Luther King Jr.: “If it falls your lot to be a street sweeper, sweep streets like Michelangelo painted pictures.”

Ms. Tizon, the spokeswoman for Providence, said the intent of Rev-Up was “not to target or pressure those in financial distress.” Instead, she said, “it aimed to provide patients with greater pricing transparency.”

“We recognize the tone of the training materials developed by McKinsey was not consistent with our values,” she said, adding that Providence modified the materials “to ensure we are communicating with each patient with compassion and respect.”

But employees who were responsible for collecting money from patients said the aggressive tactics went beyond the scripts provided by McKinsey. In some Providence collection departments, wall-mounted charts shaped like oversize thermometers tracked employees’ progress toward hitting their monthly collection goals, the current and former Providence employees said.

On Halloween at one of Providence’s hospitals, an employee dressed up as a wrestler named Rev-Up Ricky, according to the Washington lawsuit. Another costume featured a giant cardboard dollar sign with “How” printed on top of it, referring to the way the staff was supposed to ask patients how, not whether, they would pay. Ms. Tizon said such costumes were “not the culture we strive for.”

The Rev-Up program alarmed some Providence employees.

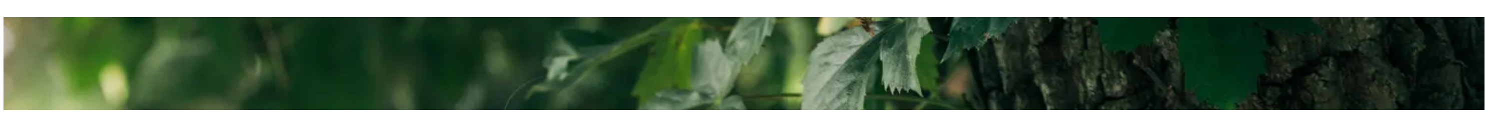
“It was awful working for this rich system and not being able to help people who were just crying in front of me,” said Stephanie Shufelt, who worked in patient registration at a Providence hospital in Portland, Ore., until February 2021.

Taylor Davison, who worked in the emergency department of a Providence hospital in Santa Rosa, Calif., until last year, said Providence’s tactics had struck her as predatory. She was told to approach patients as soon as doctors had finished examining them. She would crouch at their bedside and ask for money. She was required to document in the patients’ charts that she had repeatedly pushed for payments.

Employees were urged to collect any amount, no matter how small, she said. Some patients offered as little as $2, which she accepted.

“Here are people coming in at the worst moment of their lives, and I’m asking them to empty their wallets,” Ms. Davison said.

Providence paid McKinsey at least $45 million in 2019 for its assistance, tax filings show.



Stephanie Shufelt said pushing poor patients to pay felt “awful.” Chris Creese for The New York Times

Taylor Davison was told to accept payments as small as $2. Preston Gannaway for The New York Times

Warning About Harm to Patients

When patients left a hospital without paying, Providence sent them at least three bills. If they still did not pay, they would receive one last warning.

“This is your final opportunity to pay your account,” one such letter said. Otherwise, it went on, Providence would enlist “a third-party agency that may adversely affect your credit rating.”

Under Washington’s law, Providence was supposed to screen patients at the hospital to assess whether they qualified for free or discounted care. But Providence often checked patients’ income only after months of hounding them had failed, according to depositions included in the Washington lawsuit and internal memos that a former Providence executive shared with The Times.

At that point, Providence ran accounts through a screening tool provided by Experian, a credit reporting company, to determine whether accounts were eligible for free care.

But despite Rev-Up, the amount of free care that Providence was providing was “spiking,” an executive later explained in an email to colleagues. So in 2019, Providence’s chief financial officer at the time, Venkat Bhamidipati, and other executives made a change, according to the five current and former Providence executives and depositions included in Washington’s lawsuit.

Previously, when treating patients who were on Medicaid, Providence eventually waived any outstanding portion of their bill. In 2019, Providence stopped doing that. Medicaid patients were sent to debt collectors instead. That appeared to violate laws in Washington, Oregon and California that required nonprofit hospitals to provide free care to patients earning below certain thresholds, according to regulators.

Some Providence executives warned that the changes were harming patients.

“I just want it made clear to our leadership that patients that would normally have been eligible for charity care are going to bad debt,” Lesa Wood, a director of financial counseling and assistance, emailed colleagues in late 2019.

In 2020, a Providence executive wrote to co-workers to report that the system’s charity care spending was down “across all markets.”

Skimping on Groceries

Providence put Alexandra Nyfors on a payment plan, forcing her to go without heat. Jovelle Tamayo for The New York Times

In November 2020, Paulo Aguirre went to a Providence hospital in Orange County, Calif., with a splitting headache, blurred vision and nausea. Doctors gave him a shot that made the pain "go right away," he said.

Mr. Aguirre earned minimum wage working at a dental office and was on California's version of Medicaid, known as Medi-Cal. Under California law and Providence's financial assistance policy, his low income qualified him for free care.

In early 2021, Mr. Aguirre said, he received a bill from Providence for $4,394.45. He told Providence that he could not afford to pay.

Providence sent his account to Harris & Harris, a debt collection company. Mr. Aguirre said that Harris & Harris employees had called him repeatedly for weeks and that the ordeal made him wary of going to Providence again.

"I try my best not to go to their emergency room even though my daughters have gotten sick, and I got sick," Mr. Aguirre said, noting that one of his daughters needed a biopsy and that he had trouble breathing when he had Covid. "I have this big fear in me."

That is the outcome that hospitals like Providence may be hoping for, said Dean A. Zerbe, who investigated nonprofit hospitals when he worked for the Senate Finance Committee under Senator Charles E. Grassley, Republican of Iowa.

"They just want to make sure that they never come back to that hospital and they tell all their friends never to go back to that hospital," Mr. Zerbe said.

Last October, an ambulance rushed Alexandra Nyfors to the Providence hospital in Everett, Wash. A diabetic, she was severely dehydrated, and her kidneys were failing. Providence put her on intravenous medications to treat an underlying infection. She spent about two weeks in the hospital.

Ms. Nyfors, 66, is covered by Medicare, and her only income is about $1,700 a month in federal disability payments. Under Providence's policies and state law, she was eligible for free care because of her low income.

But Providence billed her $1,950 — the amount left over after Medicare covered its share. The remaining sum was daunting. It was getting colder, and Ms. Nyfors knew her heating bill would gobble up much of her monthly check. But when she went on the hospital's website, she said, there were only two choices: Pay in full or set up a payment plan.

Ms. Nyfors agreed to have $162.50 automatically withdrawn from her bank account each month until the bill was settled. She started buying fewer groceries, she said. She went without heat. She split her medication in two to make it last longer.

She had no idea she qualified for free care until she read about Washington's lawsuit. After Ms. Nyfors was interviewed by The Everett Daily Herald, Providence forgave her bill and refunded the payments she had made.

In June, she got another letter from Providence. This one asked her to donate money to the hospital: "No gift is too small to make a meaningful impact."

Employees at the Providence hospital in Santa Rosa, Calif., were told to seek money from patients as soon as doctors finished examining them. Preston Gannaway for The New York Times

Following a Script 'Like Robots'

In 2019, Vanessa Weller, a single mother who is a manager at a Wendy's restaurant in Anchorage, went to Providence Alaska Medical Center, the state's largest hospital.

She was 24 weeks pregnant and experiencing severe abdominal pains. "Let this just be cramps," she recalled telling herself.

Ms. Weller was in labor. She gave birth via cesarean section to a boy who weighed barely a pound. She named him Isaiah. As she was lying in bed, pain radiating across her abdomen, she said, a hospital employee asked how she would like to pay. She replied that she had applied for Medicaid, which she hoped would cover the bill.

After five days in the hospital, Isaiah died.

Then Ms. Weller got caught up in Providence's new, revenue-boosting policies.

The phone calls began about a month after she left the hospital. Ms. Weller remembers panicking when Providence employees told her what she owed: $125,000, or about four times her annual salary.

She said she had repeatedly told Providence that she was already stretched thin as a single mother with a toddler. Providence's representatives asked if she could pay half the amount. On later calls, she said, she was offered a payment plan.

"It was like they were following some script," she said. "Like robots."

Later that year, a Providence executive questioned why Ms. Weller had a balance, given her low income, according to emails disclosed in Washington's litigation with Providence. A colleague replied that her debts previously would have been forgiven but that Providence's new policy meant that "balances after Medicaid are being excluded from presumptive charity process."

Ms. Weller said she had to change her phone number to make the calls stop. Her credit score plummeted from a decent 650 to a lousy 400. She has not paid any of her bill.

Susan C. Beachy and Beena Raghavendran contributed research.

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