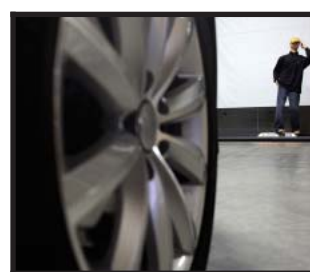




# SUN SHINES ON HAMLIN

TRUEX CAN'T HANG ON TO LEAD. **SPORTS**



# No one behind the wheel

Race to put driverless cars on the road **SciTech 8-9A**

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## U.S. pledges 10 years of aid to Afghanistan

Hard-won agreement meant to show America won't abandon its ally

BY ALISSA J. RUBIN  
New York Times

**KABUL, Afghanistan** — After months of negotiations, the United States and Afghanistan on Sunday finalized an agreement that pledges U.S. support for Afghanistan for 10 years after the withdrawal of troops at the end of 2014. The agreement, whose text was not released, builds on hard-won new understandings the two countries reached in recent weeks on the thorny issues of detainees and special operations raids to broadly redefine the relationship between Afghani-

stan and the United States. "The document finalized today provides a strong foundation for the security of Afghanistan, the region and the world, and is a document for the development of the region," Rangin Dadfar Spanta, the Afghan national security adviser, said in a statement released by President Hamid Karzai's office. The U.S. ambassador, Ryan Crocker, speaking on Sunday to Afghanistan's national security council, said the agreement meant that America was committed to helping Afghanistan as "a unified, democratic, stable and secure state," the statement said. The talks to reach the deal were intense, and at times

SEE AFGHANISTAN, 13A

PROGNOSIS: PROFITS SECOND OF FIVE PARTS

## Most N.C. hospitals slim on charity care



JEFF WILLHELM - jwillhelm@charlotteobserver.com

Rachael Shehan, with 5-year-old nephew Dallen, has no health insurance and no job but has been unable to get financial help from Caldwell Memorial Hospital in Lenoir. Her bills total \$15,000, and she feels hounded by collections agencies, she said.

### In some of poorest counties, it's hard to get forgiveness on bills

INSIDE

BY AMES ALEXANDER, JOSEPH NEFF AND KAREN GARLOCH  
aalexander@charlotteobserver.com, jneff@newsobserver.com, kgarloch@charlotteobserver.com

**DO YOU QUALIFY FOR FINANCIAL HELP?**  
Proving eligibility at hospitals isn't always simple. **5A**

**CAROLINAS HEALTHCARE**  
Issues statement in response to hospital series. **5A**

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**THE SERIES**

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New policies that could help

**R**achael Shehan has no health insurance and virtually no income. But when serious respiratory problems strike, her hospital has never provided financial help, she said. Instead, the 39-year-old Lenoir resident says, Caldwell Memorial Hospital has sent bill collectors who have hounded her for payment and ruined her credit.

Now, she sometimes bursts into tears when medical problems arise. "I know the hospital isn't going to help me with my bills," says Shehan, who relies on food stamps and the help of friends.

Nonprofit hospitals such as Caldwell Memorial are exempt from property, sales and income taxes. In return, they are expected to give back to their communities, largely by providing care to those who can't afford it.

Like Caldwell, most North Carolina hospitals are devoting a fraction of their expenses to help the poor and uninsured, an investigation by the Charlotte Observer and The News & Observer of Raleigh found.

In 2010, most of the state's hospitals spent less than 3 percent of their budgets on charity care — the practice of forgiving all or part of a patient's bill.

Mecklenburg County's hospitals perform better than average, with all spending more than 4 percent of their budgets on charity care. They are among the state's most profitable hospitals.

In North Carolina, no government rules

dictate how much charity care a nonprofit hospital must provide. Not even the IRS takes action. The result: A nonprofit hospital can spend virtually nothing on charity care and receive the same tax breaks as a hospital that sets aside as much as 10 percent of its budget to help the poor.

The newspapers' findings raise questions about whether some hospitals are earning their nonprofit status, experts say.

The investigation found:  
■ About a third of North Carolina hospitals — including Caldwell Memorial — spent less than 2 percent of their budgets on charity care in 2010. Most of these are small hospitals in rural areas, and many report they are losing money.

■ Some of the hospitals with the lowest percentages serve counties where the needs are high. Vidant Duplin Hospital, for instance, caters to a high-poverty county where one in four people lack health insurance. It spent less than 1 percent of its budget on charity care.

■ Hospital practices vary widely. While the least generous hospitals are giving less than

SEE CHARITY CARE, 4A

### STARTING OVER

LAYOFF NIGHTMARE IS A DREAM COME TRUE



DAVIE HINSHAW - dhinshaw@charlotteobserver.com

Greg Thomas in his home studio in Charlotte. A sudden layoff in 2008 sent him following a long-forgotten dream.

## Career do-over sparks new life in voice-over

BY GREG THOMAS  
Special to the Observer

Being laid off was the best thing that ever happened to me.

In 2008, my position as assistant regional manager for a national realty company was downsized. In one day, 13 of us were let go via a phone call from the corporate office. Not even a handshake goodbye.

I was 33, and my wife, Elizabeth, and I were responsible for three kids. And a mortgage on our home in Charlotte. The real estate market had crashed, and nobody was hiring in my field. Daddy had to do something, and quick.

As a kid, I'd been obsessed with movies, radio, and acting. My parents allowed me to join The Children's The-

atre of Charlotte, where I began the discovery of theater and art. Throughout my teen years, these remained my passions.

But somewhere in my 20s I put aside those dreams and focused on something that would pay the bills. I found a paycheck in apartment management and leasing, working my way up for 13 years.

Being laid off hurt. I had worked hard for that company and was then tossed out like yesterday's doughnuts. But like so many others, I had to move on.

I finally decided to pursue

SEE STARTING OVER, 13A

**VIDEO ONLINE**  
See Thomas in action at [charlotteobserver.com](http://charlotteobserver.com).

## Looking Ahead

5-DAY FORECAST MORE ON PAGE 14A

**Today 61/34**  
Partly cloudy and cool  
Chance of rain: 0%  
Ozone:  
Little/no health risk



**Tuesday 63/44**  
Partly cloudy and cool  
Chance of rain: 0%



**Wednesday 76/57**  
Sunny and warmer  
Chance of rain: 0%



**Thursday 76/54**  
Chance of thunderstorms  
Chance of rain: 30%



**Friday 73/48**  
Sunny and pleasant  
Chance of rain: 0%

### HIGH COURT TO HEAR IMMIGRATION CASE

Immigration politics will hit the Supreme Court this week as justices consider how much border-control clout the states can deploy. **2A**

### Ads blur focus of dental bill

A measure to enforce tougher regulations on dental care in N.C. is attracting lots of TV ads. **1B**

### TODAY'S MUST-READ

Francois Hollande, the Socialist challenger, eked out a victory in the first round of the French presidential elections Sunday, but his lead over incumbent Nicolas Sarkozy delivered no clear answer. **2A**



LAURENT CIPRIANI - AP

A supporter of Socialist Francois Hollande reacts to results showing that he will advance to a runoff against Nicolas Sarkozy.

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## DAILY DEAL

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AMES ALEXANDER - aalexander@charlotteobserver.com

In 2010, nonprofit Caldwell Memorial Hospital reported spending about \$1.5 million of its \$99 million budget on charity care.

## CHARITY CARE

■ from 1A

1 percent to free care, the most charitable hospital – Thomasville Medical Center – spent about 13 percent.

■ Many uninsured patients are never offered financial assistance. More than a third of hospitals in the state provide no details about their charity care policies on their websites. And more than 20 uninsured patients interviewed say they were never informed about charity care policies when they sought treatment.

■ Most hospitals appear to be getting more in tax exemptions than they're giving back in the form of charity care.

No agency or group calculates the value of hospital tax exemptions, so the newspapers derived estimates from publicly available data.

Based on the taxes paid by large for-profit hospital systems, North Carolina's nonprofit hospitals get tax breaks worth roughly 4.4 percent of their expenses, the newspapers estimated. About two-thirds of those hospitals spend less than that on charity care.

Adam Searing, director of the N.C. Justice Center's Health Access Coalition, questions whether many hospitals are doing enough charitable work to earn their tax exemptions.

"I feel like the hospitals are breaking the contract they made," he said.

Jessica Curtis, director of Community Catalyst's Hospital Accountability Project, said the Observer's findings echo what she sees happening elsewhere in the country. "It's almost a blatant disregard for the needs of the poor," said Curtis, whose Boston-based group works to improve access to care.

To be sure, charity care – medical treatment provided for free or at reduced rates to low-income patients – is just one of many ways that hospitals help their communities.

They absorb millions in losses from treating Medicare and Medicaid patients because government reimbursement doesn't cover their costs. They also train doctors and nurses, sponsor wellness programs and support community clinics.

But experts say charity care is by far the most important way hospitals can help the needy. It's particularly crucial in North Carolina, where the unemployment rate is among the nation's highest – and where roughly one in five residents under 65 lacks health insurance.

While some low-income people receive health care paid for by the government's Medicaid program, many of the working poor make too much to qualify and don't get insurance from their employers. Officials with the N.C. Hospital Association, the group that lobbies for the state's hospital industry, say their members work hard to help the poor. Charity care spending in North Carolina rose to about \$853 million in fiscal 2010 – almost twice the amount spent in the pre-recession days of 2006, the NCHA estimates.

But some of the hospitals that spend the least on charity care simply can't afford to do more, says NCHA spokesman Don Dalton. That's because they're among the state's most financially challenged hospitals. Many are in rural areas.

"The resources available for them to do vastly more charity care are probably not there," Dalton says.

But experts say it generally doesn't hurt a hospital's finances to become more charitable.

When hospitals sue patients or turn their accounts over to collection agencies, their actions often damage patients' credit. Hospitals are losing money on those patients anyway and would likely experience little financial harm if they forgave more of the bills, experts say.

A 2005 study by the Center for Studying Health System Change found that bad debt at hospitals declined as charity care policies became more generous. Such changes, the study found, had "little impact on hospital bottom lines."

### Large needs, little help

Some of the least generous hospitals serve counties where numerous residents are poor and uninsured.

North of Wilmington, many families in Duplin County work demanding, low-wage jobs in poultry plants or farm fields. But advocates for Duplin County's poor say it has been difficult

to get financial help for uninsured people with large hospital bills.

Sonia Royes, a social worker for Catholic Charities, said she has tried about six times to get financial assistance for uninsured clients who had bills from Vidant Duplin – and has never succeeded.

She called the hospital in January 2011, asking if there was help available for one uninsured client. The official told her the hospital had no charity care policy, she said.

Duplin spent about \$245,000 on charity care in 2010 – less than 1 percent of its budget.

Curtis, of Community Catalyst, said it's "unacceptable" that any nonprofit hospital spend less than 1 percent of its budget on charity care. "A hospital spending that little on charity care in a community with high needs raises questions about that hospital's commitment to the community," she said.

According to Vidant Duplin's policy, uninsured patients who can't pay their bills can qualify for free care if their income is less than 200 percent of the poverty level and their household net worth is less than \$25,000. For an individual, 200 percent is equivalent to making about \$22,000 a year.

Officials for Vidant Duplin say many patients simply don't provide the documentation that the hospital requires to prove that they're eligible for charity care.

"I do believe our charity care could be a lot higher," said Lucinda Crawford, the hospital's vice president of financial services. "It's sometimes a challenge for folks to bring in financial information and to follow up."

Hospital CEO Jay Briley said that his hospital outstrips most others when judged by a different measure – the amount of "unreimbursed" care it provides. In 2010, the hospital reported losing about \$1.1 million on Medicaid patients and about \$4.3 million on patients who never paid their bills.

Duplin, like many other hospitals, routinely sends collection agencies to recover some of that money – a practice that can damage a patient's credit.

Duplin's officials say they've beefed up efforts to make uninsured patients aware of their charity care policy.

Until recently, Crawford said, patients who came through the emergency department didn't routinely interact with a counselor who explained the policy. But the hospital changed that last year, so those patients now have a chance to talk with a counselor before they're discharged.

With so many of its patients poor and uninsured, Duplin has struggled financially in recent years, losing more than \$400,000 in 2010.

### No rules

In North Carolina, as in most other states, hospitals aren't required to spend even a single dollar on charity care. Federal rules require nonprofit hospitals to provide some "community benefit," but they don't specify what those benefits should be.

In 2007, the U.S. Senate Finance Committee proposed requiring nonprofit hospitals to spend at least 5 percent of their budgets on charity care – a standard that only about a fifth of North Carolina hospitals met in 2010.

That proposal never became law.

In Illinois, the state Department of Revenue last year denied property tax exemptions to three hospitals that were found to be spending less than 2 percent of their patient revenue on charity care. That followed a 2010 ruling by the Illinois Supreme Court, which concluded that Provena Medical Center wasn't providing enough charity care to qualify for a tax exemption.

No group or agency keeps national statistics on what hospitals spend on charity care. But in some states where charity care reporting is required, the data give some sense of how hospitals stack up.

North Carolina hospitals appear to be providing less charity care than those in Texas, one of the few states that requires hospitals to give a minimum level of financial assistance.

In Texas, most hospitals spend more than 4 percent of their budgets on charity care; in North Carolina, most spend less than 3 percent.

North Carolina hospitals provide more charity care, on average, than those in California, where hospitals operate on significantly smaller profit margins.

### Restrictive charity policies

In the Blue Ridge foothills that surround Caldwell Memorial, many patients could use financial help.

# 13 percent is highest in N.C. charity care

BY AMES ALEXANDER

aalexander@charlotteobserver.com

## How charitable is your hospital?

N.C. hospitals vary wildly in how much charity care they provide to patients who are poor and uninsured. The following charts show the percentage of operating expenses that Charlotte-area hospitals spend on charity care – as well as the state's least and most generous hospitals.

Charlotte-area hospitals	What hospitals spent on charity care in fiscal 2010	Charity care spending as a percentage of total operating expenses
Catawba Valley Medical Center Hickory	\$3,689,748	1.65%
Caldwell Memorial Hospital Lenoir	1,522,757	1.77%
CMC-Lincoln Lincolnton	2,791,408	3.55%
Gaston Memorial Hospital Gastonia	13,481,041	4.24%
Grace Hospital, Morganton Morganton	4,874,829	4.52%
Presbyterian Hospital Charlotte	26,876,532	4.94%
Iredell Memorial Statesville	6,763,698	5.12%
Carolinas Medical Center Charlotte	73,581,234	5.45%
CMC-Northeast Concord	27,190,854	5.51%
CMC-Union Monroe	9,014,320	5.51%
CMC-Mercy/Pineville Hospitals in Charlotte and Pineville	16,866,526	5.60%
Presbyterian Hospital Huntersville Huntersville	5,412,786	6.76%
Rowan Regional Medical Center Salisbury	10,403,840	7.00%
Valdese Hospital, Burke County Valdese	4,874,829	7.31%
Presbyterian Hospital Matthews Matthews	7,492,171	7.42%
CMC-University Charlotte	10,884,593	9.32%
Frye Regional Medical Center Hickory	*	*
Lake Norman Regional Medical Center Mooreville	*	*
Davis Regional Medical Center Statesville	*	*

\*These three hospitals did not report their figures to the NCHA.

## N.C.'s most generous hospitals

Hospital	What hospitals spent on charity care in fiscal 2010	Charity care spending as percentage of total operating expenses
1 Thomasville Medical Center Thomasville	\$7,149,299	13.41%
2 Brunswick Novant Medical Center Bolivia	6,062,374	12.22%
3 Franklin Regional Medical Center Louisburg	4,388,005	11.29%
4 CMC-University Charlotte	10,884,593	9.32%
5 WakeMed Raleigh	67,311,767	9.31%

## N.C.'s least generous hospitals

1 Sampson Regional Medical Center Clinton	\$243,095	0.41%
2 Halifax Regional Medical Center Roanoke Rapids	432,252	0.55%
3 Maria Parham Hospital Henderson	440,452	0.57%
4 Chatham Hospital** Siler City	133,667	0.61%
5 Duplin General Hospital** Kenansville	245,321	0.71%

\*\*These hospitals lost money in 2010.

SOURCE: North Carolina Hospital Association, American Hospital Directory.

AMES ALEXANDER – RESEARCH

DAVID PUCKETT – STAFF GRAPHIC

## LOOK UP YOUR HOSPITAL'S POLICY ONLINE

For information about charity care policies for individual N.C. hospitals, visit the N.C. Hospital Association's community benefit page: <https://www.ncha.org/issues/community-benefit>  
One caveat: Many hospitals don't provide online information about their policies.

In the heart of North Carolina furniture country, in a county struggling with above-average unemployment, sits a hospital with a little-known distinction. Thomasville Medical Center is, by one important measure, the state's most generous hospital.

In 2010, the hospital devoted 13 percent of its budget to charity care – the highest percentage in the state.

Located about 70 miles northeast of Charlotte, the 146-bed hospital is owned by Novant Health, a nonprofit hospital chain with the state's most generous charity care policy. At hospitals owned by Novant, uninsured patients with family incomes less than 300 percent of federal poverty guidelines can qualify for free care.

That means a family of four with an income of less than \$69,000 would qualify. At that level, many Thomasville residents would be eligible. The town's median family income is about \$36,000.

Some North Carolina hospitals require patients to supply extensive documentation before they can be approved for charity care. Supplying such information can be hard for patients facing medical emergencies.

But Thomasville, like other Novant hospitals, uses "soft credit checks," making it easier for patients to qualify. That system gathers financial information so that patients don't have to provide as much documentation. The checks don't affect patients' credit scores.

Novant's financial assistance policy and soft credit checks help explain why several of its hospitals are among those in North Carolina that spend the largest percentages of their budgets on charity care.

Financial counselors are trained to make eligible patients aware of the financial assistance policy. Novant also explains the policy in a brochure and on its website.

"It's not buried on our website," said Novant spokesman Jim Tobalski. "That's something we've improved on."

Thomasville also hosts a free medical clinic run by nonprofit Davidson Medical Ministries, providing free medical tests to uninsured patients there.

Thomasville Medical Center President Kathie Johnson said providing charity care is "part of our mission to take care of all Davidson County."

"Without this kind of support," she said, "it would be very difficult for some people to get the care they need."

— STAFF WRITER KAREN GARLOCH CONTRIBUTED.

## Ways to boost charity care

Patient advocates say expanding eligibility is just one way to make hospitals more charitable. They also recommend that hospitals:

- Make it easier for patients to apply for charity care. Some hospitals and hospital systems run "soft" credit checks on uninsured patients. Those checks do not affect a patient's credit score but do provide the hospitals enough financial information to determine whether they qualify for charity care. That means patients can get help without the burden of providing lots of documents.
- Post their charity care policies in prominent places. More than a third of N.C. hospitals provide no details about their charity care policies on their websites, the Observer and The News & Observer (of Raleigh) found.
- Be required to report their charity care spending to the state. Nine states require that an accounting of hospital charity care be made public. North Carolina does not. Patient advocates say better disclosure would probably encourage some hospitals to provide more financial help to uninsured patients.



Searing



Curtis



ROBERT WILLET - rwillett@newsobserver.com

Sheila Pyles called Person Memorial Hospital to see whether her uninsured daughter, 19-year-old Johnnika Pyles, would qualify for charity care after she was discharged and billed \$5,468.

## How a hospital profits on a charity case

Johnnika Pyles, a 19-year-old student, had no insurance when she was discharged in June 2009 from Person Memorial Hospital, north of Durham. When the \$5,486 bill appeared on Pyles' credit report, Pyles' mother, Sheila, called the hospital to ask whether her daughter might qualify for charity care.

Chief Financial Officer James Leis encouraged Pyles to file and mailed her a four-page charity care application and a written agreement called a promissory note. If Pyles paid off half of her debt, the promissory note said, the hospital would write off the other half.

But this arrangement was not charity. It was profit. Medicare cost reports show that Person Memorial's emergency room costs are about 21 percent of the charges billed. This means Pyles' care probably cost Person Memori-

al about \$1,100, so if she paid \$2,743, the hospital would make a profit of more than 50 percent.

And the terms were onerous: If she fell behind on payments, the note would require Pyles to pay the full amount, plus any collection and legal fees.

Pyles, who was treated in the emergency room after an accident, did not sign the promissory note. She received no charity care, and a collection agency is still trying to collect the bill.

Chad Brown, the new CEO of Person Memorial, said the hospital should be making its charity care policy known and that Pyles' experience "is not our practice." He added that he did not know how many promissory notes were held by the hospital, but he said he thinks there are only a few. "I don't know if it is acceptable," he said. — JOSEPH NEFF



## Proving need isn't easy for patients

Providing financial details can overwhelm people who are sick or recovering

BY AMES ALEXANDER

aalexander@charlotteobserver.com

At some North Carolina hospitals, qualifying for charity care can be onerous.

Among the pieces of information that Carolinas Medical Center-Pineville requested in its 2010 charity care application:

- Details on all forms of income, including alimony, child support and unemployment.

- The tax values and loan amounts on all vehicles and real estate owned.

- The account numbers and amounts deposited in all checking and savings accounts, CDs, stocks and bonds – along with the last deposit in each.

- The cash value and face values of any life insurance and burial insurance contracts.

When people are sick or recovering from serious medical problems, providing all that information can be daunting, patient advocates say.

"We've talked with some people who, when confronted with an application like that, said, 'I didn't even bother applying,'" said Mark Rukavina, executive director of the Access Project, a group working to improve access to health care.

Some hospitals make it easier for patients to qualify. Novant Health, for instance, does "soft" credit checks on uninsured patients to determine whether they're eligible for charity care.

Carolinas HealthCare System, which owns CMC-Pineville, said it "would be irresponsible" not to ask patients for financial information as it determines whether they are eligible for assistance.

"Our process follows industry standard, and we believe it balances the need to make accurate decisions with not overburdening the patient and family with information and document requests," system officials wrote in response to the Observer's questions.

# Ranking high, but is it enough?

Carolinas HealthCare's charitable spending is above average, but so are its profits

BY AMES ALEXANDER

AND KAREN GARLOCH

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Hospitals owned by Carolinas HealthCare System are among the state's most generous when it comes to providing free care for the needy.

The system's hospitals in Mecklenburg, Cabarrus and Lincoln counties, which form the heart of its operation, spent about \$131 million on charity care in 2010.

But critics contend the system could afford to do more. In 2010, the system's core operation turned a profit of more than \$300 million.

Carolinas HealthCare hospitals in its three core counties get tax exemptions worth more than \$100 million a year, the Observer estimated. The system owns more than \$1 billion in tax-exempt property, pays no corporate income taxes and got sales tax rebates of about \$40 million in 2011.

Carolinas Medical Center, the system's flagship hospital, spent about \$74 million on charity care in 2010, more than any other North Carolina hospital. It spent about 5.5 percent of its budget on charity care – among the highest percentages in the state.

CMC operates four clinics that give uninsured patients free or discounted primary care so they don't have to get treatment through the more expensive emergency rooms.

After outside groups – including the Observer – began to focus on hospital charity care in 2010, Carolinas HealthCare expanded its guidelines to cover more patients. Now, uninsured patients earning less than 200 percent of the federal poverty guideline – or about



JOHN D. SIMMONS - 2006 OBSERVER FILE PHOTO

Mizra Yanes, a Spanish language translator, helps with a child's eye exam at CMC NorthPark, one of four primary care clinics for low-income patients operated by Carolinas HealthCare System.

\$22,000 a year for an individual – are eligible for free care. Previously, the threshold was 150 percent.

Russ Guerin, an executive vice president, said Carolinas HealthCare has a responsibility to try to collect from those who are able to pay. "If everybody was simply allowed to be written off as charity care, then guess who has to make up the difference?"

Guerin added that hospitals can have generous financial assistance policies in writing but still discourage

needy patients from seeking care. Through its community clinics, he said, Carolinas Medical Center offers patients an affordable entry point, while most other hospitals see uninsured patients only after they've come to the emergency room.

"If I don't see them, I don't have a lot to write off," he said.

Carolinas HealthCare officials note that the charity care figures don't include other community benefits. In a report to the N.C. Hospital Association,

the system said it lost more than \$66 million treating Medicaid patients in 2010. Like other N.C. hospitals, the system also reported losing millions treating Medicare patients.

But some agencies – including the IRS and the Catholic Hospital Association – say Medicare losses shouldn't be counted as community benefit. One reason: Federal studies have concluded that efficient hospitals should be able to make a small profit treating Medicare patients.

## Tax breaks save nonprofit hospitals millions

BY AMES ALEXANDER

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All but eight of North Carolina's more than 100 general hospitals are nonprofits.

That means they pay no state or federal income taxes and no real estate taxes on hospital-related properties. They also get rebates from the state to compensate them for all sales taxes they've paid.

Collectively, those tax breaks save them hundreds of millions of dollars

each year.

Contrary to what the name suggests, most nonprofit hospitals bring in more money than they spend. But they're required to put the extra money back into their operations.

In exchange for their tax exemptions, nonprofit hospitals are expected to provide benefits to the communities they serve.

"There's a high expectation that nonprofits belong to the public," says Jessica Curtis, who heads Community

Catalyst's Hospital Accountability Project in Boston.

Virtually all hospitals, nonprofit and for-profit, provide charity care to the poor and uninsured. Both kinds of hospitals also lose money treating Medicaid patients and those who don't pay their bills. They usually make up for those losses by marking up charges for patients with private health insurance.

Through tax-exempt bonds, many nonprofit hospitals can also borrow

money at low rates.

As a public hospital authority, Carolinas HealthCare also has the power of eminent domain, which means it can demand that property owners sell at a fair market value to make room for hospital projects. Hospital officials say they've never used that power.

For-profit hospitals do pay taxes. They're expected to generate profits and to return much of that money to shareholders.

— STAFF WRITER KAREN GARLOCH CONTRIBUTED.

## CHARITY

■ from 4A

The closings of textile plants and furniture factories have left Caldwell County with an unemployment rate of 13 percent, among the state's highest. Nearly one in five residents lives in poverty.

About 3,500 of the hospital's patients got free care last year, said Don Gardner, the hospital's vice president of finance. But many more – about 7,000 to 8,000 – got something else: calls or letters from collection agencies.

Rachael Shehan was among them. She estimates her hospital bills now total more than \$15,000. The 110-bed hospital put her on monthly payment plans that she says she can't afford.

Now, she says, her credit is so bad she has been turned down for a small loan and has no hope of getting a car. "I think (the hospital) should offer help," Shehan said. "There's an awful lot of people who need it."

At Caldwell Memorial, only patients who live in Caldwell County, have less than \$3,000 in assets and earn less than 125 percent of the poverty level are entitled to free care, according to the hospital's website.

In 2010, the hospital reported spending about \$1.5 million of its \$99 million budget on charity care. But Gardner said that represents just a part of its good works.

Caldwell Memorial, for instance, provides about \$1.3 million worth of free tests and medical procedures each year to a clinic that provides medical help to needy residents. It also reported losing about \$2.3 million treating Medicaid patients in 2010.

"I have no doubts that we've done a yeoman's job of providing service, regardless of ability to pay," Gardner said.

The foundation that raises money for Caldwell Memorial recently claimed on its website that the hospital gave \$18 million to charity care in 2010. In fact, the hospital spent about a tenth that much. The foundation removed that claim last year, soon after an Observer reporter asked a hospital executive about it. Gardner said he believes the error was unintentional.

The hospital operates on a slim profit margin – less than 2 percent in 2010.

Gardner declined to discuss any patients' accounts with the Observer. But in general, he said, some patients don't complete charity care applications or don't cooperate in providing documents the hospital needs to ver-



ROBERT WILLET - rwillett@newsobserver.com

Mary Jo Warren sings during Bible study. Since she suffered a stroke she hasn't worked, and she can't pay hospital bills from Sampson Regional Medical Center. The hospital spends less than 1 percent of its budget on charity care.

### "They say, 'Ms. Warren, we expect you to pay us money.' I say, 'I ain't got any.' And they say, 'Well, that's no excuse.'"

MARY JO WARREN, ON CALLS FROM COLLECTION AGENCIES

ify eligibility. Others, he said, are "too proud to take charity care."

#### Policies hard to find

At some North Carolina hospitals, it's not easy for patients to learn what financial help is available.

Many patients told the newspaper that hospital officials never mentioned the availability of charity care.

More than 40 hospitals – including Gastonia Memorial Hospital in Gastonia and Lake Norman Regional Medical Center in Mooresville – didn't put key details about their charity care policies on the Web in late 2011, the newspapers' review found.

Two-thirds of North Carolina hospitals didn't list their full financial assistance policies on the Web.

Sampson Regional Medical Center was among them.

The hospital spends less than \$250,000 a year on charity care – less

than 1 percent of its budget. But many of its patients need all the financial help they can get. The hospital serves Sampson County, a rural community east of Fayetteville where more than one in five residents lives in poverty.

Hospital officials say those earning less than 125 percent of the poverty level can qualify for free care. They say they've been working to get more patients qualified.

But many patients have not cooperated by applying, says Chief Financial Officer Jerry Heinzman. Some simply don't care because they don't intend to pay and already have poor credit ratings, he said.

Mary Jo Warren has been swamped by hospital bills.

Since suffering a stroke in 2010, Warren lost her nursing job and her employer-sponsored health insurance. She's since been to Sampson Regional several times for high blood

pressure, congestive heart disease and broken bones from frequent falls.

Until her health worsened, Warren said she was frugal, hardworking and self-reliant. Now she frets about not being able to pay her hospital bills. She gets groceries from a food pantry and two local churches.

She applied for charity care, and Sampson Regional cut 45 percent off the balance that she owed.

Two months later, a lawyer for the hospital wrote Warren two letters demanding payment of more than \$1,000 and threatening a lawsuit.

After being contacted by a reporter, Heinzman said he has asked Warren to apply again for financial assistance. He previously knew nothing about her inability to work, he said.

Still, calls from hospitals and collection agencies come almost daily, rattling her nerves.

"They say, 'Ms. Warren, we expect you to pay us money,'" she said. "I say, 'I ain't got any.' And they say, 'Well, that's no excuse.'"

Fearing more bills, she has been reluctant to seek additional medical treatment. So she now waits until she is "really desperate to get some help."

And that, she knows, can't be good for her health.

— WASHINGTON CORRESPONDENT FRANCO ORDOÑEZ AND NEWS & OBSERVER DATABASE EDITOR DAVID RAYNOR CONTRIBUTED.

#### Who pays for the patients?

North Carolina hospitals say they lost \$425 million in 2010 treating patients on Medicaid, the government health program for the poor and disabled. Hospitals also say they lost money on uninsured patients and those with Medicare, the government program for those 65 and older or disabled. Therefore, hospitals say they have to charge more to those who have private insurance. Here's a look at each group's share of billed care, according to the N.C. Hospital Association:

**Medicare, 45%**  
**Private insurance, 27%**  
**Medicaid, 16%**  
**Uninsured, 9%**  
**Other groups, 3%**

#### Carolinas HealthCare System statement

Carolinas HealthCare System on Sunday night issued a statement responding to the Observer's series on hospitals. Following is the full statement:

"Carolinas HealthCare System is reading with interest the Charlotte Observer's series examining a wide range of operations at healthcare facilities in our region.

"We are, however, disappointed with the lack of understanding of the complexities of the healthcare industry. The rising cost of healthcare is an important subject that impacts virtually every segment of our communities, and we are committed to working with clinicians, payers, patients and others to find and implement solutions to this issue and the many challenges facing today's healthcare environment."

"We hope that the full content of this series more fairly represents the dedication and commitment of our caregivers to treating all patients while navigating the complexities of the healthcare industry. Our goal is and always will be to increase access to the highest quality healthcare for every community we serve and improve on its delivery for all."