

Chicago Tribune

**Illinois hospitals lash out at Madigan plan
Non-profits say they provide \$3 billion in community benefits**

By Judith Graham

Tribune staff reporter

February 8, 2006

Illinois hospitals mounted an aggressive defense of their tax-exempt status Tuesday, calling on new data that indicate they provide at least \$3 billion worth of community benefits every year.

But several experts questioned the hospitals' assumptions and said their figures were probably inflated.

During the last two weeks, Illinois has become the latest battleground in a national debate over whether non-profit hospitals do enough charitable work to justify their exemption from most taxes.

Illinois Atty. Gen. Lisa Madigan ignited the debate here by proposing legislation to require all non-profit hospitals to spend at least 8 percent of operating costs on care for needy patients.

On Tuesday, hospitals struck back, calling Madigan's proposal overly rigid and a threat to their financial health.

"We are adamantly opposed to a one-size-fits-all formula" that doesn't account for "all the benefits hospitals provide," said Ken Robbins, president of the Illinois Hospital Association.

The association said hospitals provide yearly benefits of \$3 billion to their communities, based on preliminary survey results from 86 facilities.

Adding more charitable responsibilities would be a burden, Robbins said. One-third of hospitals in the state already lose money; an additional 45 hospitals are barely profitable and would start showing red ink if Madigan's proposals pass, he predicted.

Colleen Kannaday, president of St. Francis Hospital and Health Center in Blue Island, said her institution would face a \$2.2 million annual shortfall under Madigan's plan.

As part of the industry's counterattack, the Metropolitan Chicago Healthcare Council on Tuesday released a separate report on community benefits provided by hospitals in Cook County. Hospitals are required to report the information for the first time under a new state law.

The council's study indicated that 43 Cook County facilities supplied \$113.3 million in free care in the most recent fiscal year, while incurring \$536.8 million in bad debt from patients who didn't pay their bills. Public hospitals, including Stroger, are not included in the report.

All together, the total value of community benefits for hospitals in the county was calculated at \$1.6 billion.

That's a large amount, but it doesn't settle the argument over whether hospitals deserve huge tax breaks, several experts said.

"Yes, hospitals are doing wonderful things that communities value," said Nancy Kane, a professor in the department of health policy and management at the Harvard School of Public Health.

"That's not the question. The question is, what do tax-exempt hospitals do different from taxpaying institutions that supports their special status?"

The answer has to revolve around services specifically targeted at poor, uninsured and vulnerable consumers, Kane suggested.

She gives an example: When thinking about what counts as charity, disease-prevention programs for well-off suburbanites in Wilmette shouldn't be considered equal to prevention programs for low-income Chicago residents.

There's no indication, however, that Illinois hospitals are making such distinctions in community benefits reports.

Also, Kane questions the decision to consider hospitals' bad debt as a partial fulfillment of their charitable mission. "Taxpaying organizations have as much bad debt as non-taxpaying organizations," she said, noting that courts in several states have rejected the notion that bad debt is a valid community benefit. Only some consumers who don't pay their bills qualify as true charity cases. The research literature indicates this portion may be about 50 percent, Kane said.

Deborah Chollet, a senior fellow at Mathematica Policy Research, raised questions about how hospitals' Medicare expenses are treated in Illinois. Illinois hospitals estimate Medicare pays only 92 cents for each \$1 of care provided, and new reporting requirements allow the 8-cent difference to be counted as a community benefit, on the assumption that hospitals are subsidizing services.

But hospitals may be running up more expenses than Medicare pays for because they're poorly managed, not because Medicare pays too little, Chollet said. Medicare is the federal government's health program for seniors and the disabled.

Altogether, the Cook County hospital report lists \$581.9 million in unreimbursed expenses for Medicare and Medicaid as community benefits. It doesn't indicate how much of this figure applies to Medicare as opposed to Medicaid, a health program for the poor.

Chollet makes a similar point about money-losing services, which hospitals can count as charitable endeavors on their community benefits reports. If a program loses money because the service is essential and expensive--such as trauma care--that's valid. But if a program loses money because it's poorly run or because there's an abundance of similar services in the market, it shouldn't be counted as charity, Chollet said.

ASSOCIATED PRESS

Hospital leaders object to charity proposal

February 7, 2006

BY ANN SANNER

SPRINGFIELD -- Hospital advocates Tuesday criticized Attorney General Lisa Madigan's proposal to require not-for-profit hospitals to provide more charity care, calling the proposal "dangerous" to the industry.

Under Madigan's plan, the tax-exempt hospitals would have to spend 8 percent of their annual operating costs on free or discounted health care for poor or uninsured patients.

The Illinois Hospital Association said the state's roughly 200 hospitals cannot afford the requirements. They said it would increase costs for 28 hospitals that already run a deficit and push an additional 45 hospitals to operate in the red.

The proposal would apply to most hospitals, but there are exemptions for some, such as those operating in rural areas. An aide said Madigan is willing to discuss changing the proposal to reduce the impact on struggling hospitals.

Anne Murphy, senior counsel to the attorney general, said tax-exempt hospitals have an obligation to deliver charity care to the communities they serve. In order to get the exemption, they should provide a clear level of care, she said.

Many hospitals aren't providing enough charity care, Murphy said. "The ones that aren't and can afford to do so should be doing more now," she said.

But the hospital association said Illinois hospitals are providing \$1.2 billion in free care, as well as billions more for people who don't pay their bills or are covered by Medicaid and its low payments.

Jennifer Tolbert, policy analyst for the Kaiser Research Foundation, said imposing a charity care mandate is not the best approach to helping the uninsured.

"This legislation is a reaction and a partial solution to a much bigger problem," Tolbert said, noting there are 45 million uninsured Americans. "If you figure out a way to give people coverage then this charity care issue won't be an issue any more," she said.

Tolbert said she thinks hospitals should provide charity care, but the mandate doesn't consider financial situations of the individual hospitals.

Madigan also has proposed hospital billing changes, which she says would protect Illinois consumers from unfair billing and collection practices.

Hospital advocates say the changes would put hospitals in conflict with federal and state laws.

Peoria Journal Star

**Hospitals reject call for charity mandate
Spokesman call Madigan plan unfair**

February 8, 2006

BY ADRIANA COLINDRES
OF COPLEY NEWS SERVICE

SPRINGFIELD - Representatives of not-for-profit hospitals throughout Illinois are protesting Attorney General Lisa Madigan's plan to require them to spend 8 percent of their annual operating costs on charity care for patients who are poor or uninsured.

"There is absolutely no basis for where the number 8 percent came from. It is out of thin air," said Ken Robbins, president of the Illinois Hospital Association.

One-third of Illinois hospitals lose money, he said at a Statehouse news conference attended by hospital officials and lawmakers. Madigan's proposal would cause them to lose even more, and some hospitals now operating in the black soon would be losing money, too, Robbins said.

Illinois hospitals already provide \$1.2 billion in charity care to patients in their communities, and they would have to provide an extra \$739 million's worth to meet the level required under Madigan's plan, he said.

"Hospitals are doing enough within the means available to them," Robbins said.

Last month, Madigan unveiled the charity-care proposal and a companion plan requiring hospitals to use responsible measures when collecting debt. The measures are spelled out in House Bills 4999 and 5000.

Central Illinois lawmakers were among those who raised questions about Madigan's plan at the news conference.

Rep. Frank Mautino, D-Spring Valley, said it could force hospitals to make cuts that would harm the communities they serve. Madigan should withdraw her proposals so officials can try to negotiate something better, said Sen. George Shadid, D-Peoria.

Vance Parkhurst, corporate director of legal services for Peoria-based OSF Healthcare System, said provisions in one of Madigan's bills would conflict with existing state and federal law. Those problems "are so significant that we do not believe this bill can be fixed," he said.

Officials at central Illinois hospitals have provided the following figures concerning their levels of charity care.

- **Methodist Medical Center in Peoria.** Provided almost \$3.5 million in charity care last year, with bad debts - the amount a hospital cannot collect from patients - totaling almost \$12.5 million. The shortfall on Medicaid and Medicare totaled almost \$54.2 million. Overall community benefits, such as subsidized health services, amount to almost \$85 million.

- **OSF Saint Francis Medical Center in Peoria.** Charity care and bad debt in 2005 totaled \$54 million, with about two-thirds of that classified as charity care. If overall community care and Medicaid shortfalls are included, the figure rises to \$94 million.

Sen. Dale Righter, R-Mattoon, said Madigan's plan has serious flaws. For example, he said hospitals' outreach and educational efforts - such as a mobile mammography unit - would not count toward the required amount of charity care.

The plan also fails to take into account a hospital's bad debts, which essentially are a form of charity care, he said.

Anne Murphy, senior counselor to the attorney general, defended Madigan's plan, saying hospitals would be able to classify roughly half of their bad debt as charity care. The attorney general also is willing to "explore the possibility" of giving hospitals credit for part of their Medicare shortfalls, Murphy said.

"We believe that hospitals, in exchange for the benefit of tax-exemption, should demonstrate adequate delivery of charity care services and should be willing to have a clear standard in place," she said.

The Pantagraph (Bloomington)

Hospitals, attorney general's office clash over charity care

By Matt Adrian

SPRINGFIELD - Illinois hospitals and the Illinois Attorney General's office clashed Tuesday over a proposal requiring not-for-profit medical centers to provide more charity care.

Illinois Hospital Association president Ken Robbins said Attorney General Lisa Madigan's proposal requiring not-for-profits to set aside 8-percent of their total operating costs for charity care is "dangerous."

Robbins suggested the measure would put some hospitals into a budgetary tailspin.

"Hospitals have to pay their bills, too," he said.

Anne Murphy, senior counsel to the attorney general, said the association doesn't want any standards to be set for not-for-profit hospitals that get all types of tax breaks.

"They don't want there to be any quantifiable standard at all," she said. "What they will say is 'We exist, so we deserve our tax exemption.'"

Lawmakers also raised concerns that Madigan's definition of charity care doesn't include mobile mammography units or free immunization services.

"These bills come after the one entity that has done more than any other entity including the Illinois General Assembly and the governor, to help us deal with the large population of people, who don't have health insurance or are inadequately covered," said state Sen. Dale Righter, R-Mattoon.

Murphy countered that the measure allows hospitals to count these services as charity care, if they get approval from the attorney general's office.

"It is fair and flexible. It is not intended to put hospitals out of business," she said. "It is designed to require the hospitals that are not providing enough charity care to do so."

Murphy said the proposal also allows hospitals to count the shortfall from Medicaid reimbursements towards the 8-percent level.

Robbins argues this takes control away from local hospital boards and "hands it over to one person sitting in Chicago or Springfield."

The House has not yet taken up the proposal for debate.

Rockford Register Star

Feb. 8, 2006

Business: Healthcare

Lawmakers speak out on 'complicated' health issue

SPRINGFIELD — Legislators braced for a fight Tuesday over Attorney General Lisa Madigan's plan to require hospitals to dole out more free health care to the indigent.

House Speaker Michael Madigan, a Chicago Democrat and the attorney general's father, emerged as the most high-profile supporter.

"Depending on how strict the definition of charity care is, you're liable to find hospitals that believe they do a lot of work for free and will be opposed," said Steve Brown, the speaker's spokesman. "But my guess is it's going to be one of those issues that probably will undergo a lot of negotiation over time. It's a complicated area."

Republicans appeared to be united against the initiative. Senate Minority Leader Frank Watson, R-Greenville, and House Minority Leader Tom Cross, R-Oswego, both registered opposition.

"At first glance, it looks like it would have an adverse effect on access to health care," said Cross spokesman David Dring.

Sen. Dave Syverson, R-Rockford, and Rep. Dave Winters, R-Shirland, joined their GOP colleagues in opposition.

"This would create financial hardships for hospitals and would drive up health costs for all those who are paying and would drive up the cost of health care if this would occur," Syverson said.

Winters said, "They are going to drive more Illinois hospitals about of business. This is an overreach by the attorney general and a power grab."

Rep. Chuck Jefferson, D-Rockford, did not respond to phone messages seeking comment.

Lawmakers are scheduled to adjourn their spring session April 7, nearly two months before the constitutional deadline, May 31. But, Brown said, lawmakers should not be deterred by the abbreviated work schedule.

"Skyrocketing costs are something that needs to be addressed. I'm not sure waiting a year would be a prudent course of action."

Rockford Register Star

Feb. 8, 2006

Business: Healthcare

Charity care, billing hot topics

The state attorney general wants hospitals to take on more underinsured patients and make charges easier to understand.

By Alex Gary, *ROCKFORD REGISTER STAR*

ROCKFORD — Two friends walking out of SwedishAmerican Hospital Tuesday had similar stories, both about being caught in the confusing world of medical billing.

“The insurance companies and hospitals don’t communicate very well,” said Sarah Montoya, who was with Elizabeth Jensen. Both live in Rockford. “There’s always confusion over what the hospital charged and what the insurance paid. I just finished dealing with issues from when I had my daughter two years ago. It took that long.”

Illinois Attorney General Lisa Madigan visited Rockford Tuesday to talk about two bills she’s proposing on the health-care industry, one of which would address some of Montoya’s frustration. Hours later, the Illinois Hospital Association held a news conference in Springfield to announce it was vigorously against both measures.

The first bill Madigan proposed would require nonprofit hospitals to meet a set level of charity care to retain the state exemption that keeps them from having to pay corporate income taxes, sales taxes or property taxes.

The other would require hospitals to give detailed information on what patients are being charged and restrict hospitals from sending patients to collection agencies until all claims had been processed, billing errors had been worked through and the patients had been offered a chance to set up a payment plan.

Officials from the three area hospitals, all nonprofits, are up in arms over the charity-care proposal, with one describing it as a “money grab” by the state.

The reactions to the fair billing act were more tempered. They say it would add more layers of bureaucracy to a system already awash in paperwork.

Fair billing

Montoya and Jensen, who is expecting her second child, outlined a common situation for pregnant women. They received bills from several different groups — anesthesiologists, gynecologists, the hospital. The insurance payment levels were different on each bill. And as the bills were processed by insurance providers, some were sent to collections agencies even though that processing had not been completed.

“I had a collection agency call me, and nine of the 10 bills they had hadn’t even been referred to my insurance company,” Jensen said.

Among its provisions, Madison’s fair billing plan would bar hospitals from sending a patient to collections while a claim is pending or a billing dispute is being investigated. The bill also would require that patients received an itemized bill written in clearly understandable language.

“An itemized bill would be great,” Jensen said. “You could see what you are paying, what doctor, what I’m paying for every month.”

Officials from the Rock River Valley's dominant hospital systems — OSF Saint Anthony Medical Center, Rockford Health System and SwedishAmerican Hospital — say the fair billing act is unnecessary. Most patients' bills are handled by insurance companies. All three health systems send out billing summaries but will send itemized bills if they are requested.

"We receive very few requests for itemized bills," said Randy Hann, director of business operations for SwedishAmerican. "Most just don't want to know. If you spend 15 days in the hospital, you're talking about a 30-page itemized bill. And there's only so much you can do to make it understandable. I mean, how do you explain an EKG?"

Madigan, who spoke to the Register Star's editorial board for about 30 minutes Tuesday, said her goal is "to make sure patients, especially uninsured patients, get an itemized bill so if they want to argue their case to a hospital or collection agency, they know what they are arguing about."

Charity care

Madigan's second measure would require tax-exempt hospitals to devote 8 percent of their annual operating costs to charity care. All of the Rock River Valley hospital systems, including those in Rochelle, Dixon, Freeport and Beloit, Wis., are nonprofit.

The designation exempts the hospitals from paying millions of dollars a year in various taxes, but Madigan says hospitals aren't doing enough charity work to justify the tax-exempt status.

Madigan said she consulted with a number of industry experts, but not the hospital association or medical unions, to come up with the 8 percent figure. Her office has been studying about 40 hospitals around the state and none met the 8 percent threshold — most weren't close, she said.

"Clearly, to keep the tax exemption we need to set some standards," she said. "Taking away the tax-exempt status is the big stick, but it's not one we want to use. The goal here is to get more charity care for the uninsured."

Tuesday, officials from each of Rockford's major systems crunched the numbers, and none met the 8 percent standard. In fact, each was millions of dollars away.

Greg Alford, spokesman for OSF Saint Anthony, said it was unfair that Madigan's expanded definition of charitable care included Medicaid shortfalls but not the shortfalls for Medicare. He said Saint Anthony typically gets back just 89 percent of their cost on Medicare cases from the federal government.

Medicaid covers the poor. Medicare covers the elderly and the disabled.

Dr. Bill Gorski, president and CEO of SwedishAmerican, said Madigan seems to be saying nonprofit hospitals should have no operating profits.

"We have to make some money or else we could not afford new medical equipment, new procedures, new facilities. We wouldn't be able to improve," Gorski said.

Gary Kaatz, CEO of Rockford Health System, said Madigan is trying to shift the burden of the state's growing uninsured population to the hospitals.

"If this were Michigan, Wisconsin or Ohio and the state was paying better reimbursement rates, you wouldn't see these initiatives," Kaatz said.

St. Louis Post-Dispatch

Hospitals decry bill mandating discounted care

By Philip Ewing
POST-DISPATCH SPRINGFIELD BUREAU

02/08/2006

SPRINGFIELD, ILL.

Hospitals across the state would become financial victims if a proposal backed by Attorney General Lisa Madigan becomes law, a coalition of lawmakers and hospital officials said Tuesday.

But a state official called the contention "scare tactics."

Madigan is pushing a bill that would require hospitals to devote at least 8 percent of their operating costs to free or discounted care. She says because most hospitals don't pay taxes, they're obligated to provide a set amount of free care.

The hospitals say they're already generous in helping poor patients and a state-mandated minimum level of charity could force many of them into the red.

"These are among the most dangerous legislative proposals that I have ever seen," said Ken Robbins, president of the Illinois Hospital Association. "It is clear that the people who drafted this legislation really had no idea about how the health care financing system operates."

Robbins appeared in a room packed with about 100 lawmakers, doctors and hospital officials, all of whom condemned Madigan's initiatives.

A high-ranking lawyer with Madigan's office defended the proposals.

"The attorney general's perspective is that she would like to have a clear and fair set of standards that hospitals should meet in exchange for the very lucrative privilege of tax-exempt status," said Anne Murphy, senior counsel to the attorney general. "I can assure you that for many hospitals, that's worth millions in any given year."

The majority of hospitals in Illinois do not pay sales, income or property taxes and can issue tax-free bonds to help finance expansions.

Madigan cites these benefits - and says there are 1.8 million uninsured Illinoisans and more than 100,000 driven into bankruptcy by medical costs - as reasons why state hospitals should provide a minimum amount of charity.

But yearly, Illinois hospitals already provide some \$1.2 billion worth of free care and other services, Robbins said, adding that a third of them operate at a loss.

Hospitals would have to pay almost \$800 million more per year to meet Madigan's proposed base level of 8 percent, which he said would most hurt hospitals in the state's poorest areas and, consequently, the state's poorest people.

Local hospitals would not be immune from the law. St. Elizabeth's Hospital in Belleville provides about \$28 million worth of free care and services, a spokesman there said, and would have to pay between \$4 million to \$5 million more per year to meet Madigan's minimum limits.

Robbins did concede that Madigan's worries about the state's uninsured were valid.

"It is a problem," he said, "but there is a limit to what hospitals can do. We cannot be the only answer to that problem."

Reuters

Feb. 7, 2006

Illinois hospitals rail against tax-exempt bill

CHICAGO, Feb 7 (Reuters) - Illinois hospital officials on Tuesday urged the General Assembly to reject legislation that would tie hospitals' charity care to their exemption from taxes and ability to sell bonds through a state conduit issuer.

Support for the measure, proposed by state Attorney General Lisa Madigan last month, appeared to be mixed among legislative leaders.

"Hospitals across Illinois are providing \$1.2 billion in free care to the poor and uninsured as well as providing billions of dollars a year in many other community benefits," said Illinois Hospital Association President Ken Robbins at a state capitol news conference.

He added that the legislation would threaten the survival of many hospitals.

Under the legislation, a hospital would have to provide charity care equal to at least 8 percent of its total operating costs. If the attorney general determines that a hospital is not in compliance, that hospital would no longer qualify for an exemption from income, sales and property taxes, and the Illinois Finance Authority would be prohibited from selling bonds on its behalf.

The hospital group estimated that the measure would cause 28 money-losing hospitals to lose an additional \$158 million a year and push 45 other hospitals into deficits.

The group's position paper also noted that the IFA was the major source of hospital financing in the state and that the legislation would make getting a legal opinion that a nonprofit hospital was in compliance with the new requirements nearly impossible.

Senate Minority Leader Frank Watson, a Greenville Republican, was open to the hospitals' concerns.

"I don't think he anticipates much support for the attorney general's proposal," said Patty Schuh, his spokeswoman.

Likewise, House Minority Leader Tom Cross, a Plainfield Republican, was worried the measure could adversely affect access to health care, said David Dring, his spokesman.

But, House Speaker Michael Madigan, a Chicago Democrat and Lisa Madigan's father, plans to support the legislation, according to his spokesman Steve Brown.

"He thinks it's a good idea," Brown said.

A spokeswoman for Senate President Emil Jones, a Chicago Democrat, was not immediately available for comment.

Jill Rendleman, the IFA's interim executive director, said her board was discussing taking a position on the legislation. The agency authorized \$1.43 billion of hospital bonds last year.

WQAD TV (Moline)

Hospital leaders object to Madigan's proposal for more charity care

SPRINGFIELD, Ill. Hospital advocates are criticizing a plan to require some hospitals to provide more charity care.

They say the proposal would be dangerous for the industry and push some hospitals towards bankruptcy.

Attorney General Lisa Madigan has proposed requiring not-for-profit hospitals to spend 8-percent of their operating costs on free or discounted health care for poor patients.

But the Illinois Hospital Association says hospitals can't afford that. They say it would force 45 of the state's almost 200 hospitals into the red.

Madigan's office notes that some hospitals, such as those in rural areas, would be exempt. Madigan is also willing to discuss minor changes to help struggling hospitals. (The bills are HB4999, HB5000. On the Net: <http://www.ilga.gov>.)

Copyright 2006 Associated Press. All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.

Modern Healthcare Daily Dose

Feb. 08, 2006

By Mark Taylor

Illinois' hospitals strike back at proposed charity bills

Illinois' hospitals struck back against two proposed bills submitted last month by the state's attorney general that would require a minimum amount of charity care and prohibit aggressive debt-collection practices.

The [Illinois Hospital Association](#) and the Metropolitan Chicago Healthcare Council lobbied state legislators Tuesday against the two proposed hospital charity-care bills submitted by Illinois Attorney General Lisa Madigan. The groups also issued a nine-page report: *Caring for Their Communities — Comprehensive Report on the Community Benefits Provided by Tax-Exempt Hospitals in Cook County, Ill.*

Hospital leaders and their lobbyists urged members of the Illinois General Assembly to reject the bills, which they contend could trigger a healthcare access and financial disaster.

The Tax-Exempt Hospital Responsibility Act would require hospitals to provide at least 8% of total operating costs in charity care. The Hospital Fair Billing and Collection Practices Act would prohibit aggressive debt-collection practices.

The two groups contend in the report that 43 of Cook County's hospitals provided nearly \$1.6 billion in charity care, bad debt, education, Medicaid shortfalls and other community benefits in 2004.

Six other hospitals have not yet filed their community-benefit reports, which are due in March. Those additions will likely increase the charity-care total for Illinois' most populous county.

Anne Murphy, senior counsel to the attorney general, said Madigan thinks tax-exempt hospitals should meet their end of the bargain with taxpayers by delivering adequate charity-care benefits.

"We understand the hospital industry is voicing objections to this proposed legislation while touting the benefits they provide to the community," Murphy said. "We wonder if the hospital industry is so confident about the benefits they provide, why are they afraid of a clear, bright-line standard?"

News-Gazette

Hospitals oppose charity proposals

By [Debra Pressey](#)

Tuesday February 7, 2006

MOKENA – Provena Health says its hospitals in Urbana, Danville and four other cities would be saddled with a total \$45 million in penalties if the state begins imposing new charity care requirements.

And that's money the six-hospital system can ill afford, said Lindsey Artola, Provena's assistant director of community and ministry advocacy.

"That wipes out any operating margin we have," she added.

Illinois Attorney General Lisa Madigan proposed the new requirements last month to force hospitals to provide more free and discounted care to the needy.

Part of her proposed legislation would require hospitals to provide charity care equal to at least 8 percent of their operating costs.

Hospitals could count in that minimum requirement both the direct charity care they provide and their costs that aren't reimbursed by the state for treating patients on Medicaid. But hospitals wouldn't be allowed to count the bad debts they end up shouldering when patients don't pay their bills, Madigan said.

Madigan said hospitals throughout the state benefit richly from the tax exemptions they receive, but aren't living up to their responsibilities to provide enough free and discounted care for needy patients.

Looking at how much charity care the six Provena hospitals provided in 2004 and a minimum requirement of 8 percent of their operating costs, Artola said Provena would have about a \$45 million shortfall that would have to be paid in the form of a penalty to the state.

Specifically, for the two local hospitals:

- Provena Covenant Medical Center, Urbana, would be required to provide \$10.9 million worth of charity care under the new requirement based on 2004 operating costs, and would fall \$4.2 million short.

In 2004, Covenant provided \$1.3 million in charity care and covered a \$5.4 million Medicaid shortfall, Artola said.

Covenant, which is currently operating in the red, also absorbed a \$6.6 million Medicare shortfall, but that won't count toward the 8 percent requirement, she said.

- Provena United Samaritans Medical Center, Danville, would be required to provide \$7.7 million worth of charity care based on 2004 figures, and would fall \$3.4 million short, Artola said.

And all that is a drop in the bucket compared to the potential loss of community benefit programs – things hospitals pay for in their local communities – such as social services, medical education and money-losing but necessary medical services that also wouldn't count toward the minimum requirement, Artola said.

Provena's six hospitals together provided \$118 million worth of community benefit services in 2004, she said.

"That money has to come from somewhere," she added.

Illinois Assistant Attorney General David Buysse said his office recently met with Provena Health officials and he questions how that hospital system is calculating its potential shortfall.

"We believe they're not taking into consideration all the factors we think they should," he said.

For example, Buysse said, many hospitals are basing their potential charity care obligation on a percentage of their actual operating costs rather than using the lower figure that is intended in the legislation – only those operating costs that are allowed by Medicare, he said.

Hospitals are also misunderstanding the opportunities they'll have to transform bad debt to charity care – by doing a better job at the time of admission of identifying those patients who won't be able to pay their bills, Buysse said.

The attorney general's office contends hospitals could transform 40 to 60 percent of their bad debt to charity care if they do a better job of screening patients up front, he added.

Some other provisions under Madigan's proposals would require hospitals to:

- Provide free care to uninsured Illinois residents with family incomes at or less than 150 percent of the federal poverty level.
- Allow sliding scale discounts to qualified uninsured patients.
- Provide all care exceeding \$10,000 in a 12-month period free for an uninsured patient who qualifies for a discount.
- Exercise reasonable practices when pursuing patients who don't pay their bills and offer reasonable payment plans.

Hospital executives from throughout the state were scheduled to gather in Springfield this afternoon to talk about how they believe hospitals – and the state's business climate – would be hurt by the Madigan proposals.

Officials at Carle Foundation Hospital, Urbana, declined to take a position on the legislation or talk about how the hospital would be affected financially.

But Howard Peters, senior vice president of the Illinois Hospital Association, said the impact on hospitals throughout the state would be devastating.

The new requirements likely would be a disincentive for hospitals to add staff and technology that would drive up their operating costs and further increase their new charity care obligations, he said.

Peters also said the hospital association objects to an arbitrary charity care requirement such as 8 percent.

"What really should be done is hospitals should provide charity care for the people who need it in the community and the people who apply for it and the number takes care of itself. It's what it is," he added.

Peters said hospitals would also be hurt by Madigan's proposals to restrict billing and collection practices, and the new rules would disrupt relationships with all payers with whom the hospitals do business.

"It would make it very hard for them to get paid by anybody," he added.