To: Members of the Senate Finance and Judiciary Committees  
From: Senator Grassley, Chairman of the Finance Committee  
Member, Senate Judiciary Committee  
Date: December 2, 2020  
Re: UVA Medical Center and Methodist Le Bonheur Healthcare Hospital

Dear Fellow Committee Members:

In recent years, prior to the COVID-19 pandemic reaching the United States, a variety of hospitals made headlines because of allegations of aggressive debt-collection practices. In 2019, I sent letters to the University of Virginia Medical Center (“UVA Medical Center”) in Charlottesville, Virginia and to the Methodist Le Bonheur Healthcare Hospital (“Methodist Le Bonheur”) in Memphis, Tennessee asking them about these alleged practices. According to one news report, over a six-year period in the last decade, UVA Medical Center “sued former patients more than 36,000 times for over $106 million, seizing wages and bank accounts, putting liens on property and homes and forcing families into bankruptcy.”

According to another news report, during a similar time period, Methodist Le Bonheur filed more than 8,300 lawsuits against former patients, slightly fewer than half of which involved garnishing the patients’ wages, and maintained a financial-assistance policy that “all but ignore[d] patients with any form of health insurance, no matter their out-of-pocket costs.” In my initial letters to UVA Medical Center and Methodist Le Bonheur, I asked them about these allegations. I also asked them questions that got into issues of price transparency, meaning, how are patients supposed to know what their bills might be at these hospitals before getting treatment?

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1 Jay Hancock and Elizabeth Lucas, ‘UVA has ruined us’: Health system sues thousands of patients, seizing paychecks and putting liens on homes, KHN, September 10, 2019, at https://khn.org/news/uva-health-system-sues-patients-virginia-courts-garnishment-liens-bankruptcy/.

1. Billing and Debt-Collection Practices

Section 501(r) of the tax code requires non-profit hospitals to (1) meet community health needs assessments requirements, (2) maintain financial assistance policies, (3) limit amounts charged for medically necessary care provided to individuals eligible for financial assistance, and (4) refrain from extraordinary collection actions against patients before making reasonable efforts to determine if those patients are eligible for financial assistance. The news articles discussing these hospitals gave the impressions that these hospitals were not abiding by the spirit, at least, of Section 501(r) in their billing and debt-collection practices with many of their patients. Both UVA Medical Center and Methodist Le Bonheur discussed in their responses to the Committee how they have changed their debt-collection practices as well as their financial-assistance policies.

a. UVA Medical Center

UVA Medical Center wrote in its letter that it is both a Virginia state agency and a tax-exempt organization. UVA Medical Center stated, because it is a state agency, it was obligated under Virginia state law to aggressively collect hospital debts, requiring it to make collection efforts such as pursuing liens, offsets to tax returns, and setoffs from insurance recoveries. Furthermore, the hospital argued it was exempt under Treasury regulations from having to comply with the requirements of Section 501(r), essentially because it is a Virginia state agency. In March of this year, the Virginia General Assembly amended its debt-collection law, requiring UVA Medical Center to determine if its patients qualify for Medicaid or other financial assistance before engaging in extraordinary collection efforts.

Regarding its debt-collection efforts, UVA Medical Center wrote that it was (1) dismissing debt-collection cases against patients who make less than 400 percent of the federal poverty level or owe less than $1,000, and (2) revising payment-plan schedules and reducing minimum payments for certain patients.

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4 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 3.

5 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 4-5.

6 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 4.


8 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 7.
Regarding its financial-assistance practices, UVA Medical Center indicated it was making the following changes for low-income patients:

i. Bills written off entirely for uninsured patients at or below 200 percent of the federal poverty line and who have less than $50,000 in assets for a family of four (not including a home and a car), up from having only $3,200 in assets.

ii. Bills written off by 60 percent for uninsured patients between 201 percent and 300 percent of the federal poverty line and who have less than $50,000 in assets.

iii. Bills written off by 50 percent for uninsured patients between 301 percent and 400 percent of the federal poverty line and who have less than $50,000 in assets.

iv. Bills written off by 40 percent for uninsured patients over 400 percent of the federal poverty line and for uninsured patients with assets over $50,000.

v. Uninsured discount increased from 20 percent to 40 percent.9

Additional details about UVA Medical Center’s debt-collection efforts and financial-assistance policies, and recent changes to those efforts and policies, are listed in their attached response to my original letter to them.10

Since I first exchanged letters with UVA Medical Center in late 2019, COVID-19 obviously changed the medical community, and the world, significantly. A couple weeks ago, I reached out to UVA Medical Center and asked it to provide me with an update to its initial answers to my questions from late 2019. I also asked it how the COVID-19 pandemic has affected its finances. UVA Medical Center wrote back that it suffered an $89 million loss in revenue because it had to disrupt certain patient procedures in March and April, and required all employees to take a 20-percent pay cut for all managers and physicians in addition to furloughing employees. 11 As for how the pandemic affected its revised debt-collection practices, it stated,

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9 See Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 6-7.

10 See generally Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019).

11 Letter from K. Craig Kent, M.D., Executive Vice President for Health Affairs, University of Virginia Medical Center, to John L. Schoenecker, Senior Investigative Counsel, Senate Committee on Finance (Oct. 15, 2020) at 3.
“Prior to the pandemic in September of 2019, we stopped initiating patient lawsuits for delinquent balances. This practice has continued. We have also continued to participate in the Virginia Debt Set-Off program, but we have not garnished wages or executed on any judgments since September 2019. We continue to receive payoffs for previously obtained judgments and liens.”

UVA Medical Center’s subsequent response, as well as my original letter to it, are also attached.

b. Methodist Le Bonheur

Methodist Le Bonheur wrote back stating that each year it gives more than $226 million in charity care not covered by Medicare or TennCare, which is Tennessee’s Medicaid program, as well as more than $24 million from its foundations to “meet the needs of the most vulnerable members of our community,” and more than $2 million each year in corporate contributions to support numerous community health initiatives.

Regarding its debt-collection efforts, Methodist Le Bonheur wrote that, since the news of its controversial debt-collections practices broke in 2019, it had dismissed all pending debt-collection lawsuits so they “could be reassessed based upon the enhanced financial aid programs,” including permanent dismissal of cases involving patients who fall below 250 percent of the federal poverty level.

Regarding its financial-assistance practices, Methodist Le Bonheur indicated it was making the following changes for low-income patients:

1. Uninsured or underinsured patients whose incomes are above 250 percent of the federal poverty level receive an automatic 70 percent discount off gross charges for covered services received at Methodist Le Bonheur facilities located in Tennessee and a 75 percent discount off gross charges for covered services received at Methodist Le Bonheur facilities located in Mississippi.

2. Uninsured or underinsured patients whose incomes are at or below 250 percent of the federal poverty level are eligible for benefits up to a 100-percent discount of gross charges for covered services received at any Methodist Le Bonheur facility, as such:

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12 Letter from K. Craig Kent, M.D., Executive Vice President for Health Affairs, University of Virginia Medical Center, to John L. Schoenecker, Senior Investigative Counsel, Senate Committee on Finance (Oct. 15, 2020) at 4.

13 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 1.

14 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 4.
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iii. Any responsible party/patient with an unpaid balance greater than $5,000 after insurance is applied (from a single medical encounter), will also be eligible for an additional 25 percent discount.

iv. [Methodist Le Bonheur] employees with unpaid balances will not be subject to suit and/or garnishment.15

As I did with UVA Medical Center, I recently reached back out to Methodist Le Bonheur to ask it how its responses to my initial letter from late 2019 may have changed because of COVID-19. Methodist Le Bonheur responded that, between late March and early May 2020, it cut back on non-emergency procedures, causing its patient volume to decline then by 43 percent, and now still down by 10 percent. It stated that the pandemic has caused it to suffer a $90 million hit to its finances, about $62 million of which was made up for by Federal and State assistance. This led Methodist Le Bonheur to furlough employees and cut back on their paid time off.16

Methodist Le Bonheur also stated it has suspended all debt-collection efforts, going back to March 2020, as well as reporting negative activity to the credit bureaus. Additionally, the hospital wrote that it had not filed any new collection lawsuits or tried to garnish anyone’s wages since mid-2019.17

Methodist Le Bonheur’s two different responses, as well as my original letter to it, are attached.

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15 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 3-4.

16 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Oct. 23, 2020) at 3-4.

17 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Oct. 23, 2020) at 4.
2. Price Transparency

In addition to asking UVA Medical Center and Methodist Le Bonheur about their financial-assistance and debt-collection practices, I also asked them about how they priced their services and how transparent those prices are to patients. Examples of their responses to such questions are listed directly below.

a. UVA Medical Center

I asked UVA Medical Center about its standard price list, often known as a “chargemaster” in the healthcare industry, which reflects prices for products and services available at the hospital (found on the internet here: https://uvahealth.com/sites/default/files/2019-07/uvaprices.category.19-20csv.csv). Specifically, I asked the UVA Medical Center who pays these prices, which often appear rather high to the lay person, and the hospital responded this way:

The Medical Center’s charges are the same across all payors. What is paid is based upon the contracted, regulated or discounted rates as per each payor contract and/or discounts that may apply to self pay patients or balances after self pay. **The only payor who might pay full charge are out of network and noncovered services if not negotiated in advance.**

For the vast majority of commercial inpatient services the Medical Center is paid case rates. If billed charges exceed a negotiated threshold, the Medical Center is paid a negotiated percentage of those charges exceeding the threshold (also known as an outlier reimbursement). For commercial outpatient services not paid on the basis of a fee schedule or case rate, the default is a negotiated percentage of billed charges. With many commercial insurers the Medical Center is paid the lessor of a negotiated fee schedule/case rate or our billed charges. For our services billed as self pay the Medical Center is paid at a percentage of billed charges.18

One particular set of costs on UVA Medical Center’s chargemaster that seemed curious to me was the charge for a 25-milligram dose of the blood-pressure drug losartan potassium and the charge for a 50-milligram dose of the same drug. The 25-milligram dose was, as of late 2019, listed as costing $0.86, while the 50-milligram dose was then listed as costing $5.12, an increase of almost 500 percent. I asked UVA Medical Center about this seeming price discrepancy and the circumstances under which a patient might be charged $5.12 for one 50-milligram dose of losartan potassium rather than charged $0.86 twice for two 25-milligram doses of losartan potassium. The hospital responded,

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18 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 22 (emphasis added).
The decision of who gets 25 mg + 25 mg vs 50 mg is primarily based on the availability of the medication (due to shortages noted below), and where we are actively stocking the medication. We only use the 2 x 25 mg tablets if it is the only thing available, or if it will be safer for patient care (e.g., closer to the patient, less likely for errors out of Pyxis (medication dispensing) machine on an inpatient unit than directly out of the pharmacy in a baggy). Our active inventory is influenced by a number of factors such as what is available for purchase and whether we have the item in stock. For this particular medication there are 8 manufacturers for the 25 mg dose and 10 for the 50 mg from which we can purchase with variable cost ranges (25 mg dose cost ranged from $.09 to $.60 and the 50 mg dose cost ranged from $.06 to $3.71).  

In my recent follow-up to UVA Medical Center, I asked how much it costs to treat a patient suffering from COVID-19 and what are the range of bills an uninsured or underinsured patient suffering from COVID-19 might expect to pay for such treatment. The hospital responded that the average cost to treat patients with COVID-19 on an inpatient basis has been about $37,000, although that cost can vary greatly depending on things like a patient’s underlying medical conditions and the seriousness of the illness. The average inpatient stay for COVID-19 patient has been 12 days. Because of the Families First Coronavirus Response Act’s Uninsured Relief Fund, UVA Medical Center has sent no bills to uninsured patients for treatment of COVID-19. Through August 31, 2020, UVA Medical Center has treated 51 insured (or underinsured) patients for COVID-19, whose out-of-pocket costs ranged from nothing to $4,026, most of whom paid nothing.

b. Methodist Le Bonheur

I also asked Methodist Le Bonheur about its chargemaster (currently found here: https://www.methodisthealth.org/files/billing/MLH%20Chargemaster%202020%20Addendum_ANC1.xlsx; formerly found here regarding the questions below: https://www.methodisthealth.org/files/billing/Methodist%20Le%20Bonheur%20Healthcare%20Chargemaster%202019%20Addendum1.xlsx). Specifically, I asked Methodist Le Bonheur about the nature of certain procedures and why they appear to cost quite a bit of money. For example, I asked what the procedure on the chargemaster labeled “X-RAY AORTA LEG ARTERIES” was and why it cost $8,159. As to the former, Methodist described this procedure as, “Aortography, abdominal plus bilateral iliofemoral lower extremity, catheter, by serialography, radiological supervision and interpretation.”  

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19 Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019) at 24.

20 Letter from K. Craig Kent, M.D., Executive Vice President for Health Affairs, University of Virginia Medical Center, to John L. Schoenecker, Senior Investigative Counsel, Senate Committee on Finance (Oct. 15, 2020) at 4-5.

21 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 16.
to its cost, Methodist Le Bonheur made a general statement about the reason for all the prices on its chargemaster: “Prices are determined in a variety of ways, which may include incurred costs, CMS reimbursement, market considerations, average wholesale price (pharmacy) along with a reasonable markup to ensure the continued provision of services to all in our community, regardless of the ability to pay.” Methodist Le Bonheur responded to similar questions about listings on its chargemaster in similar ways.

Just as I did with UVA Medical Center, I recently followed up with Methodist Le Bonheur to ask how much it costs to treat a patient suffering from COVID-19 and what the range of bills an uninsured or underinsured patient suffering from COVID-19 might expect to pay for such treatment. The hospital responded:

The potential impact of COVID-19 varies greatly from patient to patient and includes a number of factors. The impact ranges from patients who are asymptomatic to those who have severe underlying comorbidities and thus, it is virtually impossible to put a cost on “a patient suffering from COVID-19.” For example, a patient who has tested positive, but is sent home from the testing site as asymptomatic will generate a cost of approximately $60 for the test itself and minimal costs for a staff person to administer the test (a nose swab in the drive through takes approximately 10 minutes to complete). In this scenario, testing is covered by insurance and/or the Health Resources and Services Administration (“HRSA”), thus, there is no cost to the patient.

In the range, for medium costs, are patients who are treated in the emergency department for mild symptoms after a positive test, and it is common for those patients to be in the hospital for 4 – 5 days. Patients who are admitted will generate higher costs due to the need to staff the medical screening exam with a physician and/or other potential tests such as a chest x-ray or other respiratory procedures. The range of possibilities continues to escalate based on the acuity of the patient and all of the factors that influence the complexity and length of their care. On the high end of the range are patients who suffer from multiple comorbidities and may require care in the Intensive Care Unit for a significant length of time (Some COVID-19 patients have been in the ICU for more than 50 days).

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22 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 14.

23 See Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020) at 14-17.
The range of charges and the ultimate amounts for which patients are responsible are dependent on the amount of care received and various other factors. For many insured patients, their respective copays and deductibles apply and are typically $500 - $1000, but these deductible can be higher for some insurance plans. For the uninsured, the HRSA is currently assisting with payments and therefore, patients have no financial responsibility. In the event that a patient does not qualify for HRSA assistance, our financial assistance policy applies and discounts would be applied based on that specific patient’s ability to pay, as indicated by their income relative to the Federal Poverty Guidelines (“FPG”). All uninsured patients receive at least a 70% discount, but that discount may go up to and include a 100% discount, if their income level is at or below 200% of the FPG.  

As I mentioned above, this inquiry to UVA Medical Center and Methodist Le Bonheur began before most of the world had ever heard the name COVID-19. Since then, the COVID-19 pandemic has changed our lives and the world in so many ways that one year ago now feels like a lifetime away. The Nation’s healthcare workers have been at the forefront of fighting the virus, often with brave disregard for their own health and safety so that their patients might recover. I salute them all, certainly including all of the healthcare workers at UVA Medical Center and Methodist Le Bonheur.

With the prospects of a COVID-19 vaccine soon being available and the chances of life getting back to normal for most of us hopefully being good, the issue of how the Internal Revenue Code should deal with non-profit hospitals is likely to remain an important question. Since the enactment of Section 501(r) into law ten years ago, I have heard from the healthcare industry that Section 501(r)’s requirements are overly strenuous for non-profit hospitals. This inquiry unfortunately has shown that, if anything, the requirements of 501(r) need to be strengthened rather than softened. Stories about non-profit hospitals engaging in billing and debt-collection practices that defy the spirit of Section 501(r), at least, are not limited to the two hospitals discussed above. There seems to be a pattern: questionable behavior leads to negative press attention; negative press attention leads to more desirable behavior. That may create some good outcomes but it is an unsustainable way to ensure a distinction between for-profit and non-profit hospitals. Any changes to Section 501(r) in the future should make clearer what non-profit hospitals must do for low-income patients in order to maintain their tax-exempt statuses.

Moreover, hospitals must get better at making clear what their prices are and what patients will end up owing when they leave the hospital. Even for elective procedures that might not be fully covered by insurance, or covered at all, every hospital patient is

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24 Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Oct. 23, 2020) at 4-5.
really a customer of a service, and every customer in America is entitled to know what he or she must pay before first buying a product or a service. I suspect most Americans can guess to the dollar what they are going to pay when they need to buy a tube of toothpaste. Similarly, I suspect most Americans have a pretty good sense of how much certain automotive repairs might cost, although that one might cause a little more consternation.

Costs for medical care, on the other hand, seem to be entirely unknown. Will an overnight stay in the hospital cost $1,000? $10,000? More? While most individuals might not have to think about this question, at least to this degree, because most such costs will be paid by their health insurance, many people do have to worry about it. And surely the patient debts that gave rise to the bills owed to the hospitals discussed above must have had something to do with patients having no idea what costs they were incurring while at those hospitals. If they needed a 50-milligram dose of losartan potassium, did they get billed 86 cents twice for two 25-milligram pills? Or did they get billed $5.12 for one 50-milligram pill? Based on UVA Medical Center’s answer above, it appears there is little thought given by anybody to the patient’s financial best interests when it comes to this sort of decision, and those costs add up fast.

It’s time for Americans to have more financial information available to them when going to the hospital and working with their insurance companies. It’s time for Congress to empower Americans to shop for healthcare in a competitive, functional market so as to reduce the costs of care and coverage, and save individuals and businesses hundreds of billions of dollars.

Sincerely,

Chuck Grassley
Charles E. Grassley
Chairman
Committee on Finance

ATTACHMENTS

1. UVA Medical Center

   a. Letter from Sen. Charles E. Grassley, Chairman, Senate Committee on Finance to Pamela Sutton-Wallace, MPH, Acting Executive Vice President for Health Affairs, UVA Health System, Chief Executive Officer, UVA Medical Center (Oct. 17, 2019)
b. Letter from Chris A. Ghaemmaghami, Interim Chief Executive Officer, University of Virginia Medical Center, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Nov. 19, 2019)

c. Letter from K. Craig Kent, M.D., Executive Vice President for Health Affairs, University of Virginia Medical Center, to John L. Schoenecker, Senior Investigative Counsel, Senate Committee on Finance (Oct. 15, 2020)

2. Methodist Le Bonheur

a. Letter from Sen. Charles E. Grassley, Chairman, Senate Committee on Finance to Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare (Dec. 3, 2019)

b. Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Jan. 21, 2020)

c. Letter from Michael Ugwueke, Chief Executive Officer, CEO, Methodist Le Bonheur Healthcare, to Sen. Charles E. Grassley, Chairman, Senate Committee on Finance (Oct. 23, 2020)