

CHUCK GRASSLEY, IOWA, CHAIRMAN

MIKE CRAPO, IDAHO	RON WYDEN, OREGON
PAT ROBERTS, KANSAS	DEBBIE STABENOW, MICHIGAN
MICHAEL B. ENZI, WYOMING	MARIA CANTWELL, WASHINGTON
JOHN CORNYN, TEXAS	ROBERT MENENDEZ, NEW JERSEY
JOHN THUNE, SOUTH DAKOTA	THOMAS R. CARPER, DELAWARE
RICHARD BURR, NORTH CAROLINA	BENJAMIN L. CARDIN, MARYLAND
JOHNNY ISAKSON, GEORGIA	SHERROD BROWN, OHIO
ROB PORTMAN, OHIO	MICHAEL F. BENNET, COLORADO
PATRICK J. TOOMEY, PENNSYLVANIA	ROBERT F. CASEY, Jr., PENNSYLVANIA
TIM SCOTT, SOUTH CAROLINA	MARK R. WARNER, VIRGINIA
BILL CASSIDY, LOUISIANA	SHELDON WHITEHOUSE, RHODE ISLAND
JAMES LANKFORD, OKLAHOMA	MAGGIE HASSAN, NEW HAMPSHIRE
STEVE DAINES, MONTANA	CATHERINE CORTEZ MASTO, NEVADA
TODD YOUNG, INDIANA	

## United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510-6200

KOLAN DAVIS, STAFF DIRECTOR AND CHIEF COUNSEL  
JOSHUA SHEINKMAN, DEMOCRATIC STAFF DIRECTOR

October 17, 2019

### VIA ELECTRONIC TRANSMISSION

Pamela M. Sutton-Wallace, MPH  
Acting Executive Vice President for Health Affairs, UVA Health System  
Chief Executive Officer, UVA Medical Center  
P.O. Box 800809  
Charlottesville, Virginia 22908-0809

Dear Ms. Sutton-Wallace:

The United States Senate Committee on Finance has exclusive jurisdiction within the United States Senate over matters of federal taxation, and as its chairman I am committed to making sure the United States' tax laws are administered to fairly and effectively. As part of that commitment, it is my job to make sure that entities exempt from tax are fulfilling their tax-exempt purposes. In 2015, I investigated reports that the Mosaic Life Care hospital system in Missouri and Kansas was suing low-income patients to force them to pay their hospital bills even when those patients were eligible for financial assistance and discounted treatments.<sup>1</sup> As a result of that investigation, Mosaic Life Care established a three-month debt forgiveness period in which patients could apply or re-apply for financial assistance, forgave the debt of 5,070 patients, and hired more employees to help low-income patients apply for financial assistance<sup>2</sup>

As you are surely aware, the UVA Health System is exempt from tax, as a part of the University of Virginia, by way of 26 U.S.C. §501(c)(3).<sup>3</sup> That section of the tax code requires

---

<sup>1</sup> See Letter from Sen. Charles E. Grassley to Dr. Mark Laney, President and CEO of Mosaic Life Care (Jan. 16, 2015), *available at* <https://www.documentcloud.org/documents/1503959-grassley-letter-2015-01-16-ceg-to-mosaic.html>.

<sup>2</sup> Press Release, Sen. Charles E. Grassley, Grassley Releases Results of Inquiry into Missouri Tax-exempt Hospital; Confirms Debt Forgiveness of \$16.9 Million for 5,070 Patients (May 24, 2016), *available at* <https://www.grassley.senate.gov/news/news-releases/grassley-releases-results-inquiry-missouri-tax-exempt-hospital-confirms-debt>.

<sup>3</sup> See Letter from Kim D. Bailey, Operations Manager, Internal Revenue Service, to Rector & Visitors of the University of Virginia (Aug. 21, 2014), *available at* [https://taxcompliance.virginia.edu/system/files/public/va\\_irs\\_determin\\_letter.pdf](https://taxcompliance.virginia.edu/system/files/public/va_irs_determin_letter.pdf); *see also* University of Virginia, 2017-18 Financial Report, at 26, *available at* <https://www2.virginia.edu/financialreport/UVAFInancialReport2018.pdf>.

tax-exempt 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.<sup>4</sup> Unfortunately, I have seen a variety of news reports lately discussing what appear to be relentless debt-collection efforts by tax-exempt hospitals, including UVA Health System. These efforts raise questions about how UVA Health System and other tax-exempt hospitals are complying with these requirements.

Specifically, according to a recent article by *Kaiser Health News*, an article that was reprinted in *The Washington Post*,

*Over six years ending in June 2018, [UVA Health System] and its doctors 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.... UVA sued patients for as little as \$13.91 and as much as \$1 million during most of that period, until July 2017, when it restricted lawsuits to those owing more than \$1,000.*

*Every year, the health system sued about 100 of its own employees who also happened to be patients. It garnished thousands of paychecks, largely from workers at lower-pay employers such as Walmart, where UVA took wages more than 800 times.*

*Under a Virginia program designed to help state and local governments collect debt, it also seized \$22 million in state tax refunds to patients with outstanding medical bills in the last six fiscal years — most of it without court judgments, said health system spokesman Eric Swensen.*

*Over many years, it filed thousands of property liens from Albemarle County all the way to Georgia.*

*Beyond its recovery of debts, UVA hit some former patients with an additional 15 percent for legal costs, plus 6 percent interest on their unpaid bills, which over the course of years can add up to more than the original bill.*

*The health system also has the most restrictive eligibility guidelines for financial assistance to patients of any major hospital system in Virginia, interviews and written policies show. Savings of only \$4,000 in a retirement account can disqualify a family from aid, even if its income is barely above poverty level.<sup>5</sup>*

---

<sup>4</sup> 26 U.S.C. §501(r) (2019).

<sup>5</sup> Jay Hancock and Elizabeth Lucas, *'UVA has ruined us': Health system sues thousands of patients, seizing paychecks and putting liens on homes*, THE WASHINGTON POST, September 9, 2019, at [https://www.washingtonpost.com/health/uva-has-ruined-us-health-system-sues-thousands-of-patients-seizing-paychecks-and-putting-liens-on-homes/2019/09/09/5eb23306-c807-11e9-be05-f76ac4ec618c\\_story.html](https://www.washingtonpost.com/health/uva-has-ruined-us-health-system-sues-thousands-of-patients-seizing-paychecks-and-putting-liens-on-homes/2019/09/09/5eb23306-c807-11e9-be05-f76ac4ec618c_story.html); see also <https://khn.org/news/uva-health-system-sues-patients-virginia-courts-garnishment-liens-bankruptcy/>.

I have the following questions about some of the facts alleged in this article:

1. Since the beginning of 2014, how much money has UVA Health System collected from patients (including individuals responsible for making payments on behalf of patients) whose bills were more than 30 days past due? How many of these patients (including individuals responsible for making payments on behalf of patients) were eligible for financial assistance?
2. Since the beginning of 2014, how much charitable care has UVA Health System provided in each of those years? Please provide a breakdown of charitable care, including the methodology for calculating charitable care and what programs and services are included in that calculation, as well as the amounts allocated for each category.
3. What is UVA Health System's process for notifying patients about their outstanding balances prior to those balances being transferred to a third party for debt collection and/or prior to judicial remedies being sought regarding those balances? If there is a policy for notifying patients about such outstanding balances, please provide a copy of that policy.
4. What is UVA Health System's policy for transferring outstanding balances to a third party for debt collection? Please provide a copy of that policy.
5. What is UVA Health System's policy on seeking judicial remedies to enforce the payment of outstanding balances? In your response, please include a discussion of how UVA Health System enforces balances that have been reduced to judgment, including but not limited to, how UVA Health System prioritizes lien enforcement, garnishment, and other collection remedies. Please provide a copy of that policy.
6. What is UVA Health System's financial assistance policy? Please provide a copy of that policy. Since the beginning of 2014, what percentage of patients who received medically necessary care from UVA Health System and did not have health insurance were eligible for financial assistance?
7. What efforts does UVA Health System make to determine whether patients are eligible for financial assistance before taking extraordinary collection actions, as defined by 26 U.S.C. §501(r) and its supporting regulations, against patients (including individuals responsible for making payments on behalf of patients)? If there is a written policy for determining whether patients are eligible for financial assistance before taking extraordinary collection actions against them, please provide a copy of that policy.

8. What efforts does UVA Health System make to inform patients (including individuals responsible for making payments on behalf of patients) of the availability of financial assistance before taking extraordinary collection actions? If there is a written policy for informing patients of the availability of financial assistance before taking extraordinary collection actions against them, please provide a copy of that policy.
9. Since the beginning of 2014, has UVA Health System ever reevaluated and/or rescinded a patient's financial assistance determination? If so, how many times has UVA Health System reevaluated such a determination, and what were the reasons for such determination(s)?
10. The article above reports that UVA Health System once filed a lawsuit over a debt in the amount of \$13.91 but has since raised its litigation threshold in July 2017 to debts over \$1,000.<sup>6</sup> Are these facts correct, and if so, what was the rationale used to determine that \$1,000 threshold? What is the policy for collecting debts that are less than \$1,000?
11. What is the rationale for using a basis of earning less than 200 percent of federal poverty guidelines and owning less than \$3,000 in assets, not including a home, for determining whether or not to deny financial assistance to patients?
12. What, if any, procedures are in place to determine that delinquent debts of any amount are accurate prior to UVA Health System taking any steps to collect those debts?
13. Does UVA Health System conduct a Community Health Needs Assessment (CHNA)? If so, please provide copies of each CHNA that UVA Health System has conducted.

In addition to having concerns about UVA Health System's financial-assistance and debt-collection practices, I am also concerned about how patients' hospital bills get so high in the first place. According to that same *Kaiser Health News* article discussed above,

*Patients also have trouble because like many U.S. hospitals, UVA bills people lacking coverage at rates far higher than what insurance companies pay on behalf of their members. Such bills often have little connection to the cost of care, experts say. Insurers obtain huge discounts off hospital sticker prices — 70 percent on average in UVA's case, according to documents it files with Medicare.*

*UVA offers uninsured patients 20 percent off to start and another 15 to 20 percent if they pay promptly, Swensen said. Few are able to do that. Patients are subject to collections and lawsuits if they do not pay, or arrange to do so, within four months, he said.*

---

<sup>6</sup> *Id.*

*The \$164,000 billed to [Heather] Waldron for intestinal surgery was more than twice what a commercial insurer would have paid for her care, according to benefits firm WellRhythms, which analyzed bills for Kaiser Health News using cost reports UVA files with the government. Charges on her bill included \$2,000 for a \$20 feeding tube.<sup>7</sup>*

I have the following additional questions about UVA Health System's billing practices:

14. UVA Health System appears to list "Prices of Common Procedures & Services" on the internet. However, those prices "DO NOT include doctor fees, anesthesia, supplies and medications..."<sup>8</sup> Prior to receiving services from UVA Health System, whether medically necessary or otherwise, how do patients know what the final costs of those services are going to be, whether such patients are covered by health insurance or not?
15. Is the article above correct that UVA Health System charges, on average, insurance companies 70 percent less than what it charges uninsured individuals for the same services, what the article refers to as "sticker prices"? If so, how are such amounts determined?
16. Is the article above correct that UVA offers uninsured patients "20 percent off to start and another 15 to 20 percent if they pay promptly"? If so, how are such discounts determined?
17. Is the article above correct that UVA Health System might have billed any given patient \$2,000 for a feeding tube worth approximately \$20? If so, how is that possible? Please note this question does not ask for patient-specific information, but rather, what such a product might have recently been billed to any given patient.
18. Under the Internal Revenue Code, tax-exempt hospitals are prohibited from billing patients without health insurance, and who are otherwise eligible for financial assistance, more than what individuals who have insurance are billed for medically necessary care.<sup>9</sup> How does UVA Health System ensure that it complies with this requirement? Since the beginning of 2014, what percentage of patients who received medically necessary care from UVA Health System and did not have health insurance were billed at rates commensurate with this requirement in the tax code?
19. I understand UVA Health System's latest standard price list, sometimes known as a "Charge Description Master" or simply a "chargemaster," is available on UVA Health System's website here: <https://uvahealth.com/sites/default/files/2019->

---

<sup>7</sup> *Id.*

<sup>8</sup> UVA Health System, Prices of Common Procedures & Services, at <https://uvahealth.com/services/billing-insurance/common-prices>.

<sup>9</sup> 26 U.S.C. §501(r)(5) (2019).

07/uvaprices.category.19-20csv.csv. Is this document indeed UVA Health System's most up-to-date standard price list?

- a. What do the prices on this document represent?
- b. How are these prices determined?
- c. How do the prices that UVA Health System negotiates with insurance companies compare to these prices? If there is a fixed ratio for determining the prices UVA Health System negotiates with and/or charges insurance companies as compared to these prices in the standard price list, what is that ratio? If there is another method for determining the prices UVA Health System negotiates with and/or charges insurance companies as compared to these prices in the standard price list, what is that other method?
- d. Who pays these prices?
  - i. How do these prices relate to hospital bills that a patient might receive if he or she is covered by health insurance that considers UVA Health System "out-of-network"?
  - ii. How do these prices relate to hospital bills that a patient might receive if he or she does not have health insurance?
- e. For patients who might incur these costs (or some pre-determined fraction of them), how does UVA Health System explain to patients seeking care that is not medically necessary that these are the costs they might incur (or some pre-determined fraction of them)?
- f. For patients who might incur these costs (or some pre-determined fraction of them), how does UVA Health System explain to patients who require medically necessary and immediate care, and might not be in a position to understand costs they would incur as a result of that care, that these are the costs they might incur (or some pre-determined fraction of them)?
- g. The standard price list appears to list a cost of \$5.12 for "LOSARTAN 50 MG TABS" and a cost of \$0.86 for "LOSARTAN 25 MG TABS."
  - i. Are these listings references to single doses of the popular blood-pressure medication commonly known as "losartan potassium," or simply "losartan," the former as a single 50-milligram dose and the latter as a single 25-milligram dose?
  - ii. Would a patient who ends up paying the prices listed on this standard price list and required a 50-milligram dose of losartan

ultimately pay \$5.12 for that dose? Or would that patient pay \$0.86 twice, namely for two 25-milligram doses totaling \$1.72. If the former, why?

- h. The standard price list appears to list a cost of \$9,548.00 for a “NAIL 10 X 210 MM ANKLE LOCKING,” which appears to fall under the category of “Supplies” and have a “Charge Code” of 92000052.
  - i. What is this supply?
  - ii. Why does this supply cost \$9,548.00?
- i. The standard price list appears to list a cost of \$7,918.59 for a “SCREW 7.5 X 50MM DR MAS SOLERA,” which appears to fall under the category of “Supplies” and have a “Charge Code” of 92000052.
  - i. What is this supply?
  - ii. Why does this supply cost \$7,918.59?
- j. What listing, if any, on the standard price list reflects the intestinal surgery discussed in *Kaiser Health News* article listed and quoted above?
- k. What listing, if any, on the standard price list reflects the feeding tube discussed in *Kaiser Health News* article listed and quoted above?

Please answer the above questions on a question-by-question basis, indicating which questions you are answering, no later than November 19, 2019. Should you have questions, please contact John Schoenecker or Quinton Brady of my Committee staff at (202) 224-4515. Thank you for your attention to this important matter.

Sincerely,



Charles E. Grassley  
Chairman  
Senate Committee on Finance