

STATE OF MINNESOTA

OFFICE OF THE ATTORNEY GENERAL



Compliance Review of Fairview Health Services (January 2005)

Introduction

As part of an ongoing Compliance Review of Minnesota's nonprofit healthcare systems, the Office of Minnesota Attorney General Mike Hatch conducted a year-long examination of Fairview Health Services ("Fairview"). The Attorney General's Office's examination focused on Fairview's executive compensation policies, travel and entertainment expenses, charity care programs, debt collection practices, and third-party contract arrangements. The examination resulted in a five-volume Compliance Review issued in January of 2005, which uncovered serious problems with Fairview's debt collection and charity care policies.

While Fairview was generous to its executives, paying big salaries and liberal benefits, Fairview engaged in aggressive and hostile collection practices to collect medical debt from Minnesotans who could least afford to pay. The Compliance Review featured over 40 illustrative examples of Fairview patients who were hounded by Fairview debt collectors. Many of those patients should have been offered charity care or financial aid.

As a tax-exempt organization that enjoys numerous tax benefits, Fairview is required to provide healthcare to the poor and uninsured and must offer financial aid to those who cannot afford to pay. Fairview's seven hospitals reported spending less than 1% of gross charges on charity care. Indeed, uninsured patients who could not afford to pay high health-care costs were charged up to three times more than their insured counterparts. These uninsured patients were often not offered charity care or financial aid, and were aggressively pursued by debt collectors for payment. Fairview's aggressive tactics sent a message to the community that those who are uninsured and cannot afford medical treatment should avoid seeking medical treatment at Fairview. These practices ran contrary to Fairview's mission as a charitable healthcare system formed to provide healthcare to the community. After reviewing the Compliance Review, Fairview's chief executive officer admitted that Fairview had lost focus on its charity-care mission.

The Compliance Review triggered an industry-wide change in how Minnesota's charitable hospitals engage in medical debt collection and bill the uninsured. In response to the Compliance Review, Fairview agreed to institute new debt collection practices, which included verifying that:

- a patient actually owes the debt in question;
- all insurance companies have been properly billed for the services;
- a patient has been offered a payment plan if the patient cannot afford to pay the entire bill at once; and
- a patient has been offered any free or discounted care for which the patient may be eligible under the health system's charity care policy, before sending a patient's file for collection.

Fairview also agreed to not charge uninsured patients whose income is less than \$125,000 an amount greater than the amount the hospital charges its "most favored insurer" (e.g., the insurance company that delivers the most revenue to the hospital).

Fairview was not the only healthcare system engaging in such conduct, and the Compliance Review encouraged other healthcare systems to change their debt collection and uninsured billing practices. Minnesota's healthcare industry, represented by the Minnesota Hospital Association, agreed that the conduct detailed in the Compliance Review should not occur in any Minnesota charitable hospital. In the wake of the Fairview Compliance Review and the subsequent settlement agreement between Fairview and the Attorney General's Office, all other Minnesota hospitals entered into similar agreements with the Attorney General's Office. As a result, all Minnesota charitable hospitals have agreements with the Attorney General's Office governing fair debt collection practices and uninsured billing.

News articles regarding the Compliance Review and hospital agreements are enclosed. Also enclosed are the hospital agreements between the Minnesota Attorney General's Office and Fairview from 2005, 2007, and 2012. Volume 1 of the Compliance Review follows the articles and hospital agreements.

Fairview

TAB	
A	Vol. 1 Charity Care and Collections Practices
B	Vol. 2 Travel and Entertainment Expenses
C	Vol. 3 Consulting Expenses
D	Vol. 4 Executive Compensation

