Second in a series

OUT OF CONTROL

MultiCare Health System’s Abusive Patient Collections Practices

Washington CAN
OUT OF CONTROL: MULTICARE HEALTH SYSTEM’S ABUSIVE PATIENT COLLECTIONS PRACTICES

A recent series of investigative reports by National Public Radio and the nonprofit journalism organization ProPublica described the shocking number of medical debt collection lawsuits by nonprofit hospitals in five Midwestern and Southern states.¹ The investigation did not encompass Washington state, but residents of Pierce County may have heard echoes of the report in recent media coverage of the county’s largest hospital system, MultiCare Health System (“MultiCare”). Press accounts in 2013 and 2014 described how MultiCare filed thousands of “medical service liens” against its own patients after they received treatment for accident injuries.² MultiCare placed these medical service liens on the legal settlements of their accident-victim patients (many injured in car accidents), allowing MultiCare to collect higher payments for medical care than the system would have received from the patients’ insurers or self payments. While press coverage did an admirable job of exposing some aspects of this practice, it was framed and limited by the relatively narrow set of legal arguments surrounding lien notarization in Velma Walker et al. v. Hunter Donaldson, LLC et al. and companion case Christina Miesmer v. Hunter Donaldson, LLC et al., class action lawsuits brought on behalf of some of these patients.³

The importance of MultiCare to the health and economy of Pierce County demands a broader and deeper look at MultiCare’s aggressive lien and collections practices, its tangled and suspect relationships with its collection agency “vendors,” and the actions of its former for-profit subsidiary, MultiCare Consulting Services (“MCS”). MultiCare’s commitment to maximizing profits at all costs can also be seen in its continued reliance on legally troubled vendors, questionable medical records billing and exorbitant “strategic pricing,” topics explored below. This report examines court records not previously available to the public,⁴ as well as a number of remarkably candid statements by the system’s executives in healthcare finance forums. The practices and policies described here and in the previous study have harmed thousands of MultiCare’s patients to support a relentlessly profit-driven corporate culture. These findings raise questions as to whether this important institution deserves the confidence of the communities it serves without a fuller accounting of its recent past, and significant reforms going forward.
THE MULTICARE COLLECTIONS MODEL

The initial report in this series described how MultiCare’s profits grew to be far higher than those of other nonprofit health systems in Washington State, and how a focus on collections (or “revenue cycle”) was integral to MultiCare’s profit imperative. In the words of long-time CFO Vincent Schmitz, “Much of our success [in improving operating margins] came from improvements in the revenue cycle.” He observed that “the key measure in the revenue cycle should be what yield you are collecting.” To that end, MultiCare executives created what Schmitz called “a neat model” for raising the yield of the system’s revenue cycle apparatus. Our earlier report discussed two elements of the model: upfront demands for payment before or in the early stages of treatment, and pursuit of debtors’ wages through third-party collection agencies.

In this report, we will focus on three other elements of the collections model described by Schmitz: the use (and abuse) of medical service liens to increase collections from accident victims (“third party liability claims”), the continued employment of aggressive vendors to raise revenue from even the smallest patient interactions, and the use of “strategic pricing.” MultiCare found all of these and other “opportunities” to raise revenue and collections yields so successful they began marketing them to other hospital systems around the country through their subsidiary MCS for even more profits. Current MultiCare executives and board members created and oversaw this profit-driven model at MCS and in MultiCare’s own Revenue Cycle department as it expanded and spawned ethically questionable and allegedly illegal behavior. Despite agreeing to pay a multimillion dollar settlement to patients allegedly harmed by its medical service liens in November 2014, MultiCare resumed its medical service lien program shortly thereafter and faces new allegations of illegal and excessive medical record fees, suggesting that MultiCare executives and directors have failed to adequately reform their internal culture.

The model – medical service liens on patients: MultiCare’s massive use of medical service liens against its accident-victim patients became well-known in Pierce County during the long 2013-2014 class-action lawsuit challenging many of the liens. Nonetheless, several shocking aspects of this practice have not received the attention they deserve.

Unique scale: MultiCare leaders frequently claimed that filing liens on accident victims was “standard practice in the revenue cycle business.” However, the King, Pierce and Snohomish County auditors’ databases show that between 2010 and 2014, MultiCare filed 6,508 liens - nearly all against individuals — almost four times more than the other major Puget Sound health systems combined.

The only other Puget Sound health system with liens in four figures — University of Washington Medicine (“UW Medicine”) — filed less than a sixth of the number of liens filed by MultiCare. This is despite the fact that UW Medicine’s Harborview Medical Center is the only level 1 trauma center in Washington, admitting over 5,400 trauma patients (the category that includes accident victims) per year. MultiCare’s Tacoma General is only a level 2 trauma center, and has
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MultiCare was able to achieve its unique emphasis on liens in part because it automated the process of filing liens, removing time-consuming elements like human judgment from the process. “Information about patients who receive medical services from MultiCare to treat traumatic injuries the cost for which a third party tort-feasor or his insurer is legally responsible is provided to [MultiCare’s former third-party collection agency] Hunter Donaldson each day [emphasis mine] by MultiCare’s Information Technology (“IT”) department… Those daily reports are sent to Hunter Donaldson through a secure FTP site,” allowing Hunter Donaldson to then file liens in MultiCare’s name.

Bypassing patients’ own insurance: Memos between MultiCare executives and Hunter Donaldson, the collections agency that pioneered this use of liens for MultiCare, indicate that they brought in over $10 million in revenue annually that the system would not otherwise have received. Much of the extra cash seems to have come from bypassing patients’ own insurance providers, both public and private, and avoiding the lower rates that MultiCare was obligated to accept under the provisions of its insurance contracts. While commercial health insurers contracted with MultiCare for charges significantly below the system’s inflated “sticker prices,” MultiCare was able to extract much higher rates from patients’ automotive personal injury protection (PIP) insurance, or accident settlements.

MultiCare has insisted that for patients with commercial insurance, these cases were infrequent, inadvertent errors, and contrary to its policy. Nonetheless, e-mails and other documents show that MultiCare routinely filed liens on patients with commercial insurance. As one revenue staff employee wrote, responding to an inquiry from MultiCare’s legal department: “…we never bill insurance for these [accident] claims; rather we put a lien on the settlement.” Indeed, “net-back reports” created by Hunter Donaldson and included in materials used to prepare reports to the board and the CEO provided detailed summaries of how much more money MultiCare received from liens on patients than it would have from their health insurers, including Aetna, Premera, Regence, United Healthcare and other “Commercial Contracted” insurers, as well as from government insurance programs like Medicare and Medicaid.

As patients’ attorneys began to question the practice, some of MultiCare’s legal staff expressed some concern, but were overruled by more senior executives. In 2009, Assistant General Counsel Barbara Barronian wrote to then Vice President (“VP”) of Revenue Cycle Jason Adams “that billing [accident victim patient Theresa Pelke] (including placing a lien on the proceeds of any settlement she receives) before billing her Cigna insurance “potentially violates... the terms of the Cigna contract.” Two years later, Assistant General Counsel Barronian similarly wrote in reference to the case of accident victim Krystal Sutherland that “I believe that the practice [Sutherland’s attorney] describes, if accurate, violates the provisions of our payor contracts requiring [MultiCare] to look solely to the payor for payment for covered services and prohibit billing the patient (or patient’s representative).” Despite Barronian’s concerns, senior
MultiCare lawyers approved the proposal by MultiCare’s head of revenue cycle to allow a powerful law firm retained by the collection agency to handle the Sutherland complaint.25

MultiCare has been more straightforward about its practices with regard to accident victims covered by Medicare or Medicaid. MultiCare frankly admitted that its policy was to file liens rather than bill these so-called “payers of last resort,” whose reimbursement rates it regarded as too low.26

The most notorious instance of MultiCare placing a lien on a Medicaid patient involved six year old Sebastian Hizey, mortally injured in a freak accident at a monster truck show in the Tacoma Dome, and treated in the Tacoma General emergency room before he died. MultiCare elected not to accept his family’s Medicaid coverage and instructed Washington’s Department of Social and Health Services not to pay for bills it inadvertently submitted, instead suing the boy’s estate for $48,00027 “because there was the potential for higher net revenue.”28 As recently as June 2014, Diane Cecchettini, MultiCare’s then-“CEO Advisor,” defended the practice, even when challenged that MultiCare’s competitors would not have filed a lien against the grieving Hizey family. “I endorse it,” she said.29

There are many equally poignant instances of liens filed on Medicare-insured patients. The case of Jeffrey C. is one. After sustaining severe neck injuries in an automobile accident, his immediate medical bills from MultiCare came to $104,636.30 Unfortunately his injuries left him with “permanent residual” health effects and Hunter Donaldson allegedly refused to bill Medicare or his Medicare supplement.31 Hunter Donaldson instead placed a lien on Jeffrey C.’s settlement, leaving him with an amount of money that was “grossly insufficient” to cover ongoing medical costs from his injuries.32 Like other Medicare-insured accident victims, “no one at MultiCare ever represented to [Jeffrey C.] when they took his Medicare and supplemental insurance information that they were assigning any claim to Hunter Donaldson, LLC and refusing to bill his insurance.”33

MultiCare recently reached a $7.5 million settlement of the class action lawsuit after clear evidence emerged that MultiCare executive Jason Adams illegally allowed California-based Hunter Donaldson to use his home address to falsely obtain Washington notary public credentials and file medical service liens. While MultiCare did issue settlement payments to some victims who suffered from the illegal notarization, the health system did not admit to other wrongdoing. Instead, MultiCare committed to a handful of superficial changes in its collection practices, including having its liens properly notarized, an unspecified tightening of internal controls, and the replacement of Hunter Donaldson by a Mississippi-based third party liability collections specialist Avectus Healthcare Solutions with its own history of legal issues.34 A deeper examination of the executives and directors overseeing MultiCare’s medical service liens program reveal that these changes are likely to be grossly insufficient to reign in the damaging excesses of MultiCare’s collections apparatus.
Tami Dunivan Story

Tami Dunivan raised her daughters as a stay-at-home mom before a long fight with cancer derailed her life. “It’s weird because I knew I was sick before I was sick. My husband and I drove to a big festival in 2006, and by the time I got there my blood cells were all off and I got big blood blisters all over. There wasn’t a lot of shock when the diagnosis came down. I lost 45 pounds in a month. That’s how sick I was.” Tami went to MultiCare for treatment, but despite having health insurance, the bills started piled up. “We had Blue Cross, which is pretty good insurance, but it didn’t cover like 80% of it. It starts adding up. You go from one doctor to the next to the next. For five years I was just fighting to get back my health. I had digestive problems. I ended up having a hysterectomy. I had a bladder remission from my cancer. I had gallbladder surgery. I could go on and on.” Tami’s sickness and the financial burden took a toll on her marriage. “My husband had a lot of trouble with it, more than I did. He had been sober for 17 years and he kind of went off the rails. We had marital problems.” With MultiCare bills mounting, Tami was unable to keep up. “MultiCare never worked with us. They sent threatening letters. I wouldn’t answer the phone because there wasn’t anything I could do. They were getting really aggressive.” Eventually, Tami and her family were forced to declare bankruptcy in 2011. “I had probably $100,000 in bills that weren’t covered. We ended up losing our house. My husband lost his business over it. He had a concrete business that he’d had for 20 years. My whole life went away.”

After beating cancer and emerging from bankruptcy, Tami tried to get her life back on track. “I went back to work. Started a new job driving a school bus about two year ago. It’s been stressful and I don’t have insurance yet.” In 2013, a motorcycle accident sent Tami back to a MultiCare ER. “A kid pulled a U-turn in front of me. I tried to get around him but couldn’t. I had a huge gash on my side and a broken rib. I ended up in the ER for four hours. They tried to get me to stay the night, but I didn’t, because I didn’t have any health insurance. The bill came to $32,000.” MultiCare filed a lien on Tami and started trying to collect immediately. “They were calling hard. Giving me a lot of grief about those bills right away. I got a lawyer and he told them ‘this lady’s already filed bankruptcy, she’s lost everything.’ They backed off some.” The young driver who hit Tami only had insurance to cover $25,000 of the $32,000 bill, and the case is still winding its way through court. “They wanted me to try to sue the kid personally. But jeez, he’s 19 or 20 years old. I’m not going to destroy somebody’s life like that.” MultiCare, conversely, has kept the lien on Tami, waiting for her settlement to pay out. “MultiCare is supposed to be a non-profit. They sure don’t act like it.”

MultiCare is supposed to be a non-profit. They sure don’t act like it.

Despite her continuing health and financial problems, Tami’s successful battle with cancer has left her with a positive outlook on life. “It makes you thankful for every day. It’s kind of a blessing. You start living your life more fully.”
MULTICARE CONSULTING SERVICES: MARKETING THE COLLECTIONS MODEL ACROSS THE COUNTRY

Realizing the potential of their “neat model” for maximizing the yield of collections, MultiCare’s top executives began to market it to other hospital systems through their for-profit, revenue cycle consulting subsidiary MultiCare Consulting Services (“MCS”). Not surprisingly, MCS relied on “lessons learned... under the wing” of MultiCare to provide services like self-pay collections strategies, point of service collections, third party liability collections (liens on accident victims’ recoveries), strategic pricing, vendor selection and bad debt sales to health system clients across the country. For instance, Alameda County Medical Center (“ACMC”) board notes following an MCS presentation list several of the key elements of the MultiCare collections model: “vendor management... third party liability (active pursuit of alternate payers for Emergency Department patients, typically in relation to automobile accidents),... and bad debt sale.” The Board minutes conclude “ACMC has already begun implementation on these items.” Tuality Healthcare worked with MCS consultants to employ one method in particular that may sound familiar to MultiCare patients hounded by collections calls: engaging a collection agency whose “auto dialer/predictive software technology allow them to touch more accounts than we could at the hospital.”

While MCS spread its collections model throughout the country, the for-profit subsidiary was formally under the close supervision of MultiCare Health System leaders. The MCS Board consisted entirely of MultiCare executives, chaired by then-CEO Diane Cecchettini. MCS’ two principals were former MultiCare VP of Revenue Cycle Jason Adams and ex-MultiCare CFO Vince Schmitz. Both were given a 1% ownership stake in 2012 when MCS became a limited liability corporation, and the other 98% of ownership was retained by MultiCare Health System. In addition, key MultiCare employees like business operations administrator (and Adams’ successor as VP of Revenue Cycle) Bethany Sexton provided “on-site... technical assistance” to for-profit MCS, receiving “additional compensation” for the work directly from non-profit MultiCare.

In the Spring of 2014, as potentially embarrassing details of MCS’ activities began to emerge from discovery for the Walker lawsuit, MultiCare distanced itself from MCS by announcing a management buyout of the subsidiary. While MultiCare’s CEO spoke with pride of the “success of MCS”, MultiCare’s formal corporate ownership of the consulting service ended and MCS changed its name to McKinnis Consulting Services, LLC. However, most executives who served on MCS’ board while it was under MultiCare’s ownership remain at the top level of MultiCare Health System leadership in 2015: Florence Chang (Executive Vice President), Bill Greenheck (Vice President Human Resources), Anna Loomis (Chief Financial Officer), and Sarah Horsman (Senior Vice President Human Potential). These current MultiCare executives were directly responsible for overseeing MCS President Jason Adams while he collaborated with Hunter Donaldson on aggressive collections policies.
MULTICARE EXECS AND HUNTER DONALDSON - A PECULIARLY CLOSE RELATIONSHIP

For MultiCare and MCS executives, “vendor management” services often meant referral of Hunter Donaldson — the collections agency that pioneered MultiCare’s massive use of patient liens — to other hospital systems. MCS President Jason Adams maintained a close relationship with Hunter Donaldson owner Ralph Wadsworth, referring to Wadsworth as his “business partner.” As MCS President, Adams directly referred Hunter Donaldson to many MCS clients. Adams testified that “a piece” of his “compensation was directly tied to how well Hunter Donaldson did” for MCS clients. Additionally, Wadsworth “connected [Adams] with a lot of vendors” who paid Wadsworth a commission for the connection. Adams’ testimony describes extensive reciprocal “funneling” of business and even potential purchasers of MCS back and forth between MCS and Hunter Donaldson.

While Adams sent business to Hunter Donaldson President Ralph Wadsworth, the two maintained a peculiarly close relationship outside of their formal Hunter Donaldson-MCS dealings. In November 2010, Wadsworth gave Jason Adams a 1940 Girard Perregaux Swiss watch with 17 jewels and an 18-karat solid gold case. Emails and testimony suggest that Wadsworth played a role in Adams’ acquisition of an Aston Martin sports car and the two played golf together at charity celebrity tournaments. In his prior role as a MultiCare VP of Revenue Cycle, Adams improperly allowed Wadsworth’s daughter Rebecca Rohlke to use his home address to register as a notary public for Hunter Donaldson to file liens to recover accident settlement money for MultiCare. Jason Adams even admitted that he “gave Ralph a [home] loan” of “a hundred thousand dollars” while working at MCS, but denied that the loan comprised a kickback scheme whereby Wadsworth would pay Adams an abnormally high interest rate in return.

Additionally, Adams, along with fellow MCS minority owner Vince Schmitz, actively discussed and participated in Hunter Donaldson operations while working at MultiCare. Vince Schmitz said he’d “love” to join the Hunter Donaldson advisory board while serving as MultiCare CFO in April 2012 and was later listed as an “advisory board member.” In January 2013, MCS President Jason Adams discussed a potential commission structure for himself at Hunter Donaldson as he “contemplated becoming a full-time employee.” The following month, while still employed at MCS, Adams prepared an agenda and attended a “partners meeting” for Hunter Donaldson discussing “Hunter Donaldson’s charter, its governance structure, its vision and goals.”
Diana Wild’s Story

In 2012, Diana Wild, the disabled wife of a veteran, was in an auto accident that sent her to a MultiCare emergency room. “Someone pulled out in front of me and I slammed into them. I went to Allenmore hospital with a concussion and leg injuries and informed them that I was going to use my auto insurance to pay my medical bills immediately so that nothing went on my credit.” Rather than use her TriCare health insurance, Diana paid off her bills in full through her auto insurer, but MultiCare and Hunter Donaldson still came after her. “MultiCare put a lien on me saying my bill was not paid, so I took all my bills and insurance verification down to Allenmore. They said that yes my bill was paid, but that Hunter Donaldson uses liens as a scare tactic.” Diana was shocked. “Why did I need a scare tactic? My bill was paid immediately.” MultiCare wouldn't provide any answers. “They said Hunter Donaldson acted on its own. They wouldn't give me any information, any explanation, and just kind of brushed me off.” Meanwhile, MultiCare kept the lien on Diana. “Seriously, I was afraid of losing my home. Very afraid. I have four of my children still living here, two of my grandchildren. If I lost my home, where would we be? Where would we live? We can’t all stay in my truck.” Finally, after months of sending in paperwork and joining the class action lawsuit against MultiCare and Hunter Donaldson, MultiCare withdrew the lien on Diana. “I think the lawsuit is the only reason they’re lifting all the liens on people’s property.”

“Why did I need a scare tactic? My bill was paid immediately."
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ABSENCE OF OVERSIGHT

MultiCare leaders rejected the idea that these inappropriate business dealings or MultiCare’s lien policy were driven by pressures inherent to their profit-driven internal culture, instead laying sole blame on “improper practices by [Hunter Donaldson] and improper actions by [Jason Adams].”61 Moreover, MultiCare board members denied conducting oversight or having any knowledge of MultiCare’s aggressive medical service liens program. Former MultiCare Board Chairman John Folsom, for instance, claimed that MultiCare’s use of medical service liens filed by Hunter Donaldson first came to his attention “the day the lawsuit was filed.”62 Current Board Chair John Wiborg claimed the Board “would never bother with” the collections process and “didn’t care” about how the medical service liens were enlarging MultiCare’s accounts receivable.63

There is evidence, however, that top MultiCare executives and board members knew about the questionable medical service liens for years. The collection agency Hunter Donaldson insists that “MultiCare, at its highest levels of management – even at the board of directors – has been aware and involved in the medical lien process from the beginning.”64 Senior MultiCare executives who remain in their positions in 2015 (or have even been promoted) oversaw Adams’ work at MCS, and he reported directly to then-CEO Diane Cecchettini.65 MultiCare Board Chair John Wiborg confirmed that Jason Adams attended meetings for the Board’s audit and compensation committees and Vince Schmitz gave a monthly report to the board on changes to MultiCare’s accounts receivable stemming from its increased pursuit of medical service liens.66 Legal records show that data used in these monthly briefings, drawn from “net-back” reports, make an explicit comparison between what MultiCare might have received if it had billed patients’ commercial insurance companies such as Aetna, Premera and Regence and the far greater payouts from Hunter Donaldson’s liens.67 In addition to the “net-back” reports, e-mail correspondence shows that MultiCare General Counsel Mark Gary, General Counsel Eric Rasmussen and Assistant General Counsel Barbara Barronan were aware of legal challenges to MultiCare’s medical service liens, particularly for patients who had insurance coverage, as early as 2009.68

The question of whether the “net-back” reports were furnished directly to Board members, or were refined and abstracted in some way by MultiCare’s CFO, remained contentious throughout the class action lawsuit. The question cuts to the heart of the board’s responsibility for the medical service liens’ scandal. No packets from prior years’ board meetings are available to make a definitive judgment, but plaintiff’s attorneys contended that “contrary to MultiCare’s attempted blame shifting in the press—as well as former CFO Vincent Schmitz’s representations in his depositions—MultiCare’s Board of Directors knew about Hunter Donaldson’s lien practices on MultiCare’s behalf in far more detail” than a notation on a graph of accounts receivable, as former-CFO Schmitz dismissively claimed.69 Board member denials of knowledge must be put in context: the four members of the Board who were deposed claimed little knowledge of any aspect of MultiCare’s business operations.70 It is also worth noting that MultiCare moved to settle the lawsuit shortly after petitioning the Court for a protective order against additional board depositions.71 Whether MultiCare’s Board knew about Hunter Donaldson’s policies and chose not to act, or failed to properly oversee their collections vendor and curb its excesses, MultiCare’s directors arguably bear some responsibility for the community damage caused by MultiCare’s collections apparatus.

MultiCare executives and board members knew about the questionable medical service liens for years.
Furthermore, MultiCare’s attempts to shift blame to its former debt collection company and executive are contradicted by its actions. MultiCare continued to do business with alleged wrongdoer Hunter Donaldson for months after the class action lawsuit was filed. According to lawyers in the April 2013 medical service liens lawsuit, MultiCare still had $33 million in accounts receivable assigned to Hunter Donaldson as late as November 2013. MultiCare did not terminate their relationship with Hunter Donaldson until March 2014 and has never filed any type of cross-claim against the company, despite agreeing to a $7.5 million settlement to alleged victims of Hunter Donaldson’s medical service liens. Additionally, MultiCare offered a large payout to “rogue employee” Jason Adams. Adams testified that he received $150,000 in salary and expected $700,000 in additional payouts from MultiCare when he left MCS.

The model – selecting ‘appropriate’ vendors: MultiCare’s use of aggressive revenue cycle vendors continues to the present and extends far beyond debt collectors like Hunter Donaldson. MultiCare’s goal is to take advantage of “every possible area of opportunity” to receive a “positive net yield” for services, an approach that leads to aggressive billing for even the smallest transactions. On February 26th, 2015, Pauline Dickman filed a class action lawsuit against MultiCare and its medical records vendor, IOD, Inc. (“IOD”) alleging that IOD “blatantly disregarded [federal health information] regulations and… charge[d] excess amounts for [medical] records to ‘deliver a competitive advantage’ for its clients [sic] MultiCare.” According to the lawsuit, IOD charged Ms. Dickman $488.93 for a digital CD containing her medical records, including a $24.00 “Basic Fee” and over $0.80 per page for the 503 pages in her medical record, allegedly in violation of federal prohibitions on per-page charges for requests like Ms. Dickman’s. The plaintiffs allege that “there are hundreds of individuals that have similarly requested medical bills, health information, records and [protected health information] from IOD” at MultiCare hospitals.

IOD has faced allegations of excessive charges for medical records in at least five states over the past six years, a fact that MultiCare leaders should have considered before hiring the vendor. IOD paid out thousands of dollars to settle a 2013-2014 class action lawsuit in Massachusetts alleging that IOD overcharged patients for postage. In 2013, IOD charged Gloria Aslanidis $3,800 for a CD of medical records for her father, a retired Air Force sergeant receiving care for a traumatic brain injury at Medical University Hospital in South Carolina. As recently as June 2014, IOD was forced to revise its contract with Swedish Medical Center after attempting to charge the son of a deceased man $624.51 for the medical records of his dead father. Swedish ultimately provided the records at no cost.

In a disturbing echo of their response to the Hunter Donaldson allegations, MultiCare leaders have stood by IOD despite the February 2015 class action lawsuit and refused to find a less controversial vendor. MultiCare “will ask the federal court to decide whose interpretation [of federal health information law] is correct,” a strategy that stands in stark contrast to that of Swedish Medical Center, which conducted an internal investigation and revised its medical records policies upon receiving notification of a complaint against IOD. MultiCare’s initial response to the IOD allegations calls into question MultiCare’s claim that it has “tightened up [the] process” of “vet[ting] contracts and perform[ing] due diligence” after the Hunter Donaldson lawsuit.
Jessica Evanson Story

An auto accident sent Jessica Evanson, a small business owner and accountant, to the Tacoma General ER in January 2013, an event that would change her life. “The lady driving behind me was texting and didn’t see me. She ran into my car at 45 miles per hour. I had two herniated discs in my neck, and two in my back. After the accident I couldn’t even hold my head up straight and I was like that for about 6 months.” Jessica’s medical bills totaled $20,000, but with the other driver’s insurance company accepting responsibility, she thought the bills would be covered. In March 2014, as her lawyer worked to settle the claim, Jessica and her partner of 16 years closed in on buying a new home. “We were trying to buy a new house, and on the day of the closing, the deal fell completely apart because of the judgment.” Unbeknownst to Jessica, MultiCare and Hunter Donaldson had placed a lien on her potential accident settlement a year before. “It was horrible. I finally got notice of the lien in March [2014] and seeing it was filed a year earlier was crazy.” MultiCare’s lien didn’t just keep Jessica from buying a home. “It’s destroyed my credit. Because it’s a judgment with the county, people look at it when I go to apply for a job.

When I was working as an executive assistant, the judgment against me disbarred me from getting an accountant job at the company. Everything that I have, I had before the accident. I don’t have anything new from after the accident. I can’t buy a car, I can’t buy a TV.” Her injuries have also taken a toll on her relationship. “We were going to try to have another baby, but I can’t carry a kid, physically. The accident, as a whole, has affected our entire relationship. We almost split up.” With all the personal difficulties caused by the accident, medical bills, and lien, Jessica questions her decision to go to MultiCare. “If I had to do it over, I don’t think I would have ever gone to MultiCare. I would have dealt with the pain I guess. I don’t know. Looking back at it now, had I known that I’d be going on two and a half years since the accident, 2013, still with a judgment, I don’t think I would have gone.”

“It was horrible. I finally got notice of the lien in March [2014] and seeing it was filed a year earlier was crazy.”
The model: strategic pricing. In addition to an emphasis on collections, MultiCare’s profit-maximizing strategy depends on generating high levels of revenue, so MultiCare hospitals charge some of the highest “sticker prices” in Washington state. Sticker prices are the full charges that hospitals initially bill payers like private insurers, Medicare, Medicaid and individual patients before applying negotiated discounts to the bill that can lower the actual price these payers are charged. While hospitals keep private insurer negotiated rates and individual patient self-pay rates secret, Medicare recently released hospital sticker prices it was billed for 100 of the most common patient diagnoses, providing a basis of comparison for hospital pricing in Washington. Analysis of the most recent available release of pricing data (2012) reveals that MultiCare Good Samaritan Hospital (“Good Samaritan”) and Tacoma General and Allenmore Hospitals (which report together), had the 3rd and 7th highest sticker prices, respectively, among 48 hospitals reporting data in Washington. For instance, Medicare patients at Good Samaritan who suffered and survived a heart attack without complications were billed an initial sticker price of $46,458 for their care, almost $20,000 higher than the state average. Good Samaritan Medicare patients with “other circulatory system diagnoses” and major complications were initially charged $94,477, approximately double the state average sticker price. Medicare pays less than the full sticker price for these procedures, but these data provide a rare window into MultiCare’s inflated price structure.

MultiCare’s high sticker prices are part of a larger trend of health system consolidation and “strategic pricing” in Pierce County. Pierce County has only two community acute care hospital systems - MultiCare and CHI-Franciscan Health - and a 2013 study in the Journal of the American Medical Association (“JAMA”) found that the Tacoma Hospital Referral Region is a “highly concentrated” market. According to scholars, “for hospitals, the evidence on prices is very clear. Prices are higher in more concentrated markets. Consolidation leads to price increases, in some cases price increases that are well over 50 percent,” as hospitals’ greater market dominance allows them to command higher prices from patients and insurers. In presentations to capital investors, MultiCare boasts of using “strategic pricing” for its healthcare, a practice which has been described as charging the most “customers are willing to pay for a product” rather than setting prices based on the cost of care. Medicare and Washington State Department of Health data reveal that Pierce County’s other large health system, CHI-Franciscan Health, also charges high prices. CHI-Franciscan’s Pierce County hospitals St. Joseph Hospital, Saint Clare Hospital and St. Anthony Hospital, are all among Washington’s top five highest sticker price hospitals. Additionally, all three CHI-Franciscan Pierce County hospitals boast hospital markup ratios (the ratio of operating revenue to operating cost) among the top ten highest Washington hospitals. It is not surprising, then, that five of the seven most expensive hospitals in Washington state (as measured by sticker price) are located in Pierce County.

While patients with Medicare, Medicaid and commercial insurance benefit from negotiated discounts to these inflated sticker prices, other patients may not. Uninsured patients, patients who receive financial settlements stemming from accidents, insured “out-of-network” patients and insured patients with high
cost-sharing plans can be on the hook for all or a significant percentage of the sticker price. At MultiCare, uninsured “self-pay” patients and insured out-of-network patients who don’t receive financial assistance are charged the full sticker-price, unless they can pay in full within 30 days. Accident-victim patients can have liens placed on their legal settlements for up to 25% of their total award and still owe the remaining balance after the settlement payout. Even insured patients aren’t immune from MultiCare’s high medical prices. The Kaiser Family Foundation’s 2014 Employer Health Benefits Survey found that even after paying their full deductible, more than 60% of insured workers have to pay a coinsurance percentage of the hospital’s price, rather than just a fixed copay, for a hospital admission or outpatient surgery.

These high prices for care can have a significant impact on patients’ personal and financial health. Nationally, a November 2014 Gallup poll found that 57% of self-pay patients put off treatment because they couldn’t afford it. Even amongst the insured, “the percentage of Americans... who report putting off medical treatment because of cost has increased from 25% in 2013 to 34% in 2014.” It’s unknown how many Pierce County residents delay treatment, but a recent study found that one in seven residents reported being unable to see a doctor at all due to the high cost of care. By potentially delaying or deterring patient care, MultiCare’s sky-high sticker prices can place patients in the difficult position of choosing between their health and their financial security.

CONCLUSION

The salient features of the collections practices described in this and the previous report are shocking, and have affected thousands of Pierce County patients. Why did these abuses occur? While it is difficult to know with certainty, MultiCare leadership’s commitment to levels of profit far higher than other non-profit hospital systems have provided a huge incentive for executives to push the envelope of responsible business and patient care practices. Whether or not particular executives are replaced, or particular abuses are discontinued, changed or suspended, MultiCare’s continued insistence on double-digit profit margins give reason to doubt that the era of “leave no money on the table” is over.

The issues surrounding MultiCare’s massive use of medical service liens extend well beyond the question of whether the liens were properly notarized. Notary licensing aside, was the pursuit of accident victims on this huge and indiscriminate scale conscionable? Moreover, the lien program must be seen as a single element of a larger model for raising patient collections yield and profits that also included traumatic point of service billing, ongoing onerous wage garnishment proceedings against patients, extremely high “strategic” pricing, and aggressive billing for even minor transactions like accessing patient medical records. The business relationships MultiCare executives made in the course of developing and marketing revenue cycle innovations were, by MultiCare’s own admission, “improper” (to say the least).

MultiCare’s leaders hoped to “put to rest all controversy” over its approach to patient collections with the departure of some of these executives and final settlement of the lawsuit. However, MultiCare executives’ continued myopic focus on profits and failure to adequately address collections excesses sug-
gest that any changes may be superficial. MultiCare CEO Bill Robertson defends the system’s record profits as “necessary to invest [in] what our community and patients need,” and MultiCare has given no indication it is currently willing to lower its inflated sticker prices. MultiCare settled the Hunter Donaldson lawsuit without admitting guilt and continues to rely on a collections vendor, Avectus Healthcare Solutions, with a troubling legal record to file medical service liens. There is a lack of transparency surrounding the activities of MultiCare’s revenue cycle department and MCS, with no inquiry into the failure of oversight by top executives and board members who remain in place. Finally, MultiCare patients continue to file lawsuits against MultiCare for its revenue cycle practices, including the February 2015 medical records class action. All of these issues suggest that MultiCare leaders have failed to reform MultiCare’s revenue cycle apparatus, continuing to pursue profits at all costs to the detriment of patients and the community.

A constrained legal dispute

By its nature, the settlement of the Hunter Donaldson class action could not address most of the issues explored in this report, and in fact, only offers compensation to patients whose medical service liens were notarized by a notary public with false credentials ("Rohlke liens" named for Hunter Donaldson employee Rebecca Rohlke). It did not address the uniquely industrial scale on which MultiCare filed these liens, and included no determination of whether liens that bypassed patients’ commercial insurance coverage were inadvertent errors (as MultiCare now claims) or profit-driven policy (as internal e-mails suggest).

Given the narrowness of the legal settlement, it is not surprising that MultiCare continues to deny wrongdoing, attributing blame to rogue employee Jason Adams and the failure of vendor Hunter Donaldson to “follow the terms of [MultiCare’s] contract and the law.” While Adams and his former superior ex-CFO Vince Schmitz are no longer employed by MultiCare or its subsidiary, the legal record shows that neither of these executives were asked to resign or disciplined for their actions. In fact, Adams and Schmitz received handsome separation payments. Most MultiCare and MCS board members and executives charged with oversight of Adams and Schmitz remain in top leadership positions with MultiCare, with the notable exception of the long-planned retirement of ex-CEO Diane Cecchettini, who (in the words of one MultiCare board member) “we would have tied to her chair if we could have.” There has still been no public accounting of how MultiCare came to file medical service liens against its own patients at a rate that dwarfed those of all of its Puget Sound healthcare peers, or of the dubious activities of its for-profit subsidiary, MultiCare Consulting Services.

Recommendation

In order to regain community trust, MultiCare Health System should sponsor an independent inquiry into the activities of its Revenue Cycle Department and MultiCare Consulting Services LLC, with unlimited access to internal documents, vendor correspondence and board records. Results of the inquiry should be public.
Resumption of liens

In settling the class action lawsuit, MultiCare made no commitment to reduce its outsized use of medical service liens, promising only an unspecified tightening of “internal controls,” and that future liens would be notarized by “a MultiCare-employed notary.” Since the controversy first arose, MultiCare has insisted on its right to file medical liens, despite standing almost alone among area health systems in its wholesale use of this collection method. Indeed, after several months’ pause during the summer and fall of 2014 while the class action lawsuit approached its resolution (and public scrutiny was high), MultiCare filed 19 new liens against individuals just three weeks after the judge’s preliminary approval of the settlement. Perhaps more disturbingly, Corinth, Mississippi-based Avectus Healthcare, the vendor that replaced Hunter Donaldson for MultiCare’s third-party liability collections, is a defendant in two cases in federal court. Plaintiffs in these cases allege that Avectus committed practices very similar to those alleged by the plaintiffs in the Hunter Donaldson – MultiCare lawsuit.

Recommendation

MultiCare’s patient collections activities and vendors should be overseen by an independent, community-based committee with the power to make changes in collections protocols and respond to complaints about vendor activities and collections practices. MultiCare should follow the practice of most Puget Sound health systems, and employ them only as a very last resort, under close oversight from community representatives.

Exorbitant pricing

MultiCare charges some of the highest sticker prices in Washington state, a policy that hits self-pay and accident-victim patients the hardest. MultiCare also has the highest margin of any health system in Washington, providing plenty of room to decrease prices and return some money to patients who need it. However, instead of using a portion of these profits to immediately lower prices and invest in patient care, MultiCare has chosen instead to cut staff and provide only a vague commitment to “begin passing those savings on to our customers” at some point in the future. Providing great care to the community means ensuring patients can get the affordable care they need without being stuck with large debts stemming from MultiCare’s inflated prices.

Recommendation

MultiCare should relieve the financial burden on self-pay, accident-victim, out-of-network and high cost-share patients by limiting their charges to the average rates paid by insured patients, rather than charging them the full sticker price for care.
of Maryland later described as “a brazen and complex Ponzi scheme.” The firm’s owners pleaded guilty to charges of wire fraud in September 2013.


41 “Revenue Cycle Improvement Project.” PowerPoint presentation by Tim Fleischman, CFO, Tuality Healthcare, Oregon Society of Healthcare Executives (no date).

42 Exhibit 18, Deposition of Vincent H. Schmitz, Christina Miesmer v. Hunter Donaldson, LLC et al., No. 13-2-12653-8, Superior Court of the State of Washington in and for the County of Pierce, November 22, 2013.

43 The MCS Board consisted of Diane Cecchettini, Florence Chang, Anna Loomis, Sarah Horsman, Mark Geary and Bill Greenheck.


55 Plaintiffs Motion to Compel Depositions of Defendant MultiCare’s Current and Former In-House Counsel, Velma et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, July 8, 2014.

56 Schmitz testified that the data in the “netback” reports was conveyed to the board as “a dotted line above a solid line.” Plaintiffs’ Reply in Support of Motion to Compel Depositions of Defendant MultiCare’s Corporate Directors Velma Walker et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, April 24, 2014.

57 Asked a wide ranging set of questions about their knowledge of MHS operations, accounts, vendors, income, and senior executives: “Mr. Folsom answered that he did not know or had no information approximately 37 times... Mr. Wiborg answered that he did not know or had no information approximately 90 times... Ms. Leighton answered that she did not know or had no information approximately 80 times.”

58 Defendant MultiCare Health System Motion for Protective Order Re Further Depositions of Its Board of Directors, Velma Walker et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, October 9, 2014.

59 Defendant MultiCare Health System Motion for Protective Order Re Further Depositions of Its Board of Directors Velma Walker et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, October 9, 2014.

60 Plaintiffs Motion for Preliminary Approval of Class Settlement Agreement, Velma Walker et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, November 17, 2014.


67 Lynn, Adam. “MultiCare says it will compensate patients for bad liens.” The News Tribune (Tacoma), March 27, 2014.


70 Lynn, Adam. “MultiCare says it will compensate patients for bad liens.” The News Tribune (Tacoma), March 27, 2014.


73 Complaint, Pauline Dickman v. MultiCare Health System et al., No. 15-2-06366-4, The Superior Court of the State of Washington in and for the County of Pierce, February 26, 2015.

74 Complaint, Pauline Dickman v. MultiCare Health System et al., No. 15-2-06366-4, The Superior Court of the State of Washington in and for the County of Pierce, February 26, 2015.

75 Complaint, Pauline Dickman v. MultiCare Health System et al., No. 15-2-06366-4, The Superior Court of the State of Washington in and for the County of Pierce, February 26, 2015.


78 Demand Moore et al. v. IOD Incorporated et al, First Amended
Community acute care hospital systems exclude military and psychiatric hospitals.


93 2012 price rankings based on an unweighted index of each Washington hospital's average covered charge ("sticker price") compared to the state average covered charge for Medicare's 100 most frequently billed discharges, paid under Medicare based on a rate per discharge using the Medicare Severity Diagnosis Related Group (MS-DRG).

Inpatient Charge Data FY 2012. Centers for Medicare & Medicaid Services, Last Updated June 1, 2014.


95 The seven Washington hospitals with the highest sticker price according to 2012 Medicare data: 1. St. Joseph Medical Center, 2. Saint Clare Hospital, 3. MultiCare Good Samaritan Hospital, 4. St. Anthony Hospital, 5. St. Francis Community Hospital, 6. Swedish Medical Center/Cherry Hill, 7. Tacoma General Allenmore Hospital. 2012 price rankings based on an unweighted index of each Washington hospital's average covered charge ("sticker price") compared to the state average covered charge for Medicare’s 100 most frequently billed discharges, paid under Medicare based on a rate per discharge using the Medicare Severity Diagnosis Related Group (MS-DRG).

Inpatient Charge Data FY 2012. Centers for Medicare & Medicaid Services, Last Updated June 1, 2014.

96 "Hospital sticker shock: A report on hospital price variation in Washington state." Washington Health Alliance, October 2014. wahelthalliance.org/alliance-reports-websites/alliance-reports/

97 See the encounters with MultiCare billing described in this credit.com article. Note that sticker price is referred to as the "charge master rate" in the article. Pinder, Jeanne. "When health insurance doesn't save you much money." Credit.com, April 7, 2014. blog.credit.com/2014/04/should-a-surgery-cost-6k-or-100k-79281.

98 Revised Code of Washington (RCW) Section 60.44.010


103 "MultiCare to pay $7.5 million to settle liens suit." The News Tribune (Tacoma), November 18, 2014.

104 Disposition of Vincent H. Schmitz, Christina Miesner v. Hunter Donaldson, LLC et al., No. 13-2-12653-8, Superior Court of the State of Washington in and for the County of Pierce.

105 Correspondence from Sandy Alton to John Giabaug, 9/11/2013, Christina Miesner v. Hunter Donaldson, et al., No. 13-2-12653-8, Superior Court of the State of Washington in and for the County of Pierce.:


107 MultiCare's letter to the community describes medical liens as “a legal and common practice.” Letter to the community: An update on the medical lien program, MultiCare Health System, Accessed on April 27, 2015.

108 "MultiCare to pay $7.5 million to settle liens suit." The News Tribune (Tacoma), November 18, 2014.

109 Disposition of Sandy Leighton, Velma Walker et al. v. Hunter Donaldson, LLC et al., No. 13-2-08746-0, Superior Court of the State of Washington in and for the County of Pierce, November 22, 2013


112 MultiCare's letter to the community describes medical liens as “a legal and common practice.” Letter to the community: An update on the medical lien program, MultiCare Health System, Accessed on April 27, 2015.

113 MultiCare’s letter to the community describes medical liens as “a legal and common practice.” Letter to the community: An update on the medical lien program, MultiCare Health System, Accessed on April 27, 2015.

114 "MultiCare to pay $7.5 million to settle liens suit." The News Tribune (Tacoma), November 18, 2014.

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118 MultiCare’s letter to the community describes medical liens as “a legal and common practice.” Letter to the community: An update on the medical lien program, MultiCare Health System, Accessed on April 27, 2015.
With over 40,000 members, **Washington CAN!** is the state’s largest grassroots community organization. Together we work to achieve racial, social, and economic justice in our state and nation.