FREQUENTLY ASKED QUESTIONS

The New York Times Coverage

Updated: Oct. 7, 2022

Q: Is Providence committed to charity care and serving those who are vulnerable?

A: Absolutely, and we are more committed than ever. Serving those in need is the heart of our Mission. In 2021, we provided $1.9 billion in community benefit, which includes providing charity care to 266,000 individuals and $1.2 billion in uncompensated Medicaid costs. Our charity care policies comply with and in many instances exceed federal and state law. That said, we are always looking for ways to improve, and when we fall short, we address it. For example, in shifting from a manual process to an automated one, there was an error in the implementation that caused some Medicaid patients to be sent to collections after 120 days. According to our policy, this should not have happened, and we fixed it as of December 2021. We have also reviewed and improved our practices around the use of third-party agencies for collections. In recent years, we have gone from having 17 agencies to two, and have provided clear instructions to these agencies that they are not to engage in any aggressive tactics.

Q: Is The New York Times article true?

A: While the article contains some true statements, it also contains several inaccuracies. Namely, it paints a false narrative that Providence intentionally strategizes ways to take advantage of the poor to enrich itself. We can assure you that the leadership team at Providence would never condone or even entertain that type of thinking, nor would our board or sponsors council ever allow it. In fact, our conversations and strategies are the exact opposite. We are focused on ensuring the long-term viability of the Mission so we can continue to serve the poor and vulnerable. The Rev Up program mentioned in the article was not intended to target those in financial distress. It aimed to help those with the means to pay, better understand their out-of-pocket costs. That being said, we acknowledge that the training materials, and even the name Rev Up, were not consistent with our values. The training was modified over time to ensure the availability of financial assistance is prominent and clear, and the original training materials are not in use today.

Q: What about the patients featured in the article?

A: It was heartbreaking to read their stories, and we absolutely understand how stressful it can be to deal with medical bills. While we can't get into specifics due to HIPAA, we can confirm that multiple communications about financial assistance are provided to each patient we serve. Often, the challenge is that, for any number of personal reasons, people may not respond to us when we call or send letters home. And we do need some level of engagement from the patient to complete the financial assistance application. That said, we are following up with each patient mentioned in the story to talk with them about their experience and ensure they have the financial assistance they need going forward. We take this incredibly seriously and don't want financial hardship to ever get in the way of needed care or the healing process. In addition, we have been working throughout the year to raise awareness about financial assistance, and we have been publicly communicating through social media, our blogs and other channels about how to access financial assistance at Providence.

Q: What is the Rev Up Program?

A: Rev Up was a short-lived limited program that no longer exists. The intent was not to target those in financial distress. Rather, it focused on helping those who have the means to pay, better understand their out-of-pocket costs. The original training materials, which were used briefly, starting in late 2018, are not in use today. However, we are assigning an individual to review these materials, including how they've evolved over time, to ensure they are fully aligned with our values.

Q: Why did Providence engage McKinsey?
A: Providence uses consulting services for a variety of reasons. One of the issues we were addressing at the time had to do with Revenue Cycle inefficiencies, which account for $400 billion of all U.S. health care costs. That's nearly a half a trillion dollars, or 15 cents of every dollar spent on health care. With insurance companies denying claims at astonishingly high rates, our caregivers are required to work even harder to get claims approved on behalf of our patients. Providence works with nearly 1,000 different health plans, each with different out-of-pocket costs and requirements. When we sought consulting services, many of our caregivers were still using faxes to communicate with the insurance companies or would be stuck on hold for hours trying to get authorizations for care. Because navigating insurance is complex, it can be challenging for patients to know what their portion of the bill will be.

Q: How much did we pay McKinsey?
A: According to our IRS Form 990, they were paid $45 million for multiple consulting projects over multiple years.

Q: Are we still using McKinsey today?
A: We have significantly scaled back our engagement with all consultants.

Q: Did Providence change its policies to send patients enrolled in Medicaid to collections?
A: No. Our policy is that Medicaid enrollees are not to be sent to collections agencies, and this policy has not changed. However, we do acknowledge we made an error, which occurred when we moved from a manual process to an automated one. The error caused some Medicaid enrollees to receive notices from collections agencies, which is against our policy. When we were made aware of the error, we fixed it as of December 2021. The error is resolved and not continuing to occur. Some individuals made payments after being sent to collections incorrectly. We have been reaching out to these individuals and issuing repayment, with interest.

Q: What steps has Providence taken to ensure collections practices are in keeping with our values?
A: In recent years, we have reviewed and improved our practices around the use of third-party agencies for collections. For example, we have gone from having 17 agencies to two, and have provided clear instructions to these agencies that they are not to engage in any aggressive tactics, such as:

- Reporting accounts to credit rating agencies.
- Garnishing of wages.
- Charging interest.
- Initiating lawsuits or liens against patients.

Q: Why does Providence have to collect money from patients at all?
A: For those who have the means to pay, we are required by our insurance contracts and per laws and regulations to collect out-of-pocket costs from patients. Getting paid by both the insurers and those who have the means is also essential for covering the cost of delivering care. Today, insurers and employers are requiring patients to pay more out-of-pocket than ever before. This puts hospitals in the unenviable position of being responsible for figuring out how much money is due from patients, and under certain situations, that means having to collect more money from patients than in the past. We

would rather not have to spend as much time as we do on billing and collections and would much rather keep the focus on our core competency and Mission of health care and healing.

Q: Is it appropriate to ask patients to make a co-payment at the point of care?
A: It is standard practice across all of health care to check whether patients have insurance and to collect the co-payment at the point of care. We are committed to doing this respectfully and compassionately at the appropriate time. However, we are concerned about how some patients feel about this and will review our practices to ensure these activities are not aggressive and don't interfere with care delivery or the healing process.

Q: Do Providence caregivers compete to achieve collections goals?
A: While our billing departments have goals for collecting payment for services rendered from those who have the means, any productivity tools or worksheets that are in use today are meant to show progress toward shared goals. They are not intended to incentivize collections from people unable to pay or encourage practices inconsistent with our values. We have a responsibility by law and per our insurance contracts to carry out the billing process, and productivity tools are one way we track and demonstrate we are doing that.

Q: Have our charity care levels been declining?
A: Thanks to the Affordable Care Act and Medicaid expansion, more people in our communities who would have previously qualified for charity care are now covered by Medicaid. Providence was a leader in advocating for these policies that significantly expanded access to care for the poor and vulnerable across our states. In states that opted to expand Medicaid coverage, it is expected that charity care decreases as uncompensated Medicaid losses increase. This is the case in six out of the seven states we serve.

Other large nonprofit health systems serve in states that have not expanded Medicaid, which means that a larger number of individuals are uninsured, increasing charity care levels in those states. This has caused our charity care numbers to decrease slightly over the years, but at the same time we have seen our cost to cover unpaid Medicaid increase. We are proud that in 2021, we provided charity care to 266,000 individuals in need and absorbed $1.2 billion in uncompensated costs resulting from serving patients covered by Medicaid. Our total community benefit for 2021 was $1.9 billion, which is $366 million higher than before the pandemic began. We continue this strong commitment, despite difficult financial times across all of health care.

Q: The New York Times describes Providence as a "financial powerhouse." Is that accurate?
A: Hospitals and health systems in the U.S. barely break even in the best of times but since the pandemic, the situation has worsened. Health systems across the country are sustaining significant operating losses. It is true that Providence brought in $27 billion in revenue last year. But our expenses were nearly $28 billion. That resulted in a net operating loss of $714 million. As supplies, pharmaceuticals and labor expenses continue to soar, the trend is continuing into 2022. So far this year, our operating losses are at a staggering $1 billion.

Q: Why can't we rely on our investment income and cash reserves?
A: To be clear, we have relied upon our investment income and cash reserves since the pandemic began. As stewards of a more than 165-year legacy, we have a responsibility to maintain an adequate savings account. Our reserves protect us from insolvency, bankruptcy or unplanned scenarios, such as a pandemic. Providence has $10.1 billion in unrestricted cash and investments. Our investment losses in

the first half of the year were almost a $1 billion. We have used our investment funds to cover the losses during the pandemic. Because of our past and current investments, we have been able to expend more resources taking care of the poor and vulnerable during the pandemic. In addition, this also gave us the confidence to keep Providence caregivers fully employed when the pandemic first hit. Furthermore, the $10 billion in investments is offset by about $7 billion in debt. Like mortgages on a home, we borrow money to pay for our hospitals and other facilities. Given that our operating expenses were $28 billion last year, you can see $10.1 billion would cover less than five months of operating expenses.

Q: How do we justify our tax-exempt, not-for-profit status?
A: Our Section 501(c)(3) status does not mean we don't pay any taxes. We pay various local, state and federal business and employment taxes, and contribute to the economies of our communities. Our hospitals are often among the largest local employers in areas we serve. Unlike for-profit health systems, Providence is not beholden to shareholders. Every dollar we earn is reinvested back into the Mission to support the health of the community. Many of our ministries operate 24 hours a day, seven days a week. We are here for people when they need us and believe strongly that our not-for-profit status helps to ensure our communities can continue to count on us and that we are here for the public good.

Q: How can I learn more about our financial assistance and charity care policies?
A: Our charity care policies comply with and in many cases exceed state and federal law. To learn more, visit our financial assistance page online.

Q: How does Providence determine the compensation for its president and CEO?
A: The way executive compensation is set is consistent with how pay is determined for all job categories, levels and positions at Providence. We aim for market competitive pay to ensure we fall within compensation ranges compared to those we compete with for talent, and we use third-party salary studies to determine compensation and market-competitive pay for a given job.

Q: Did you send The New York Times an official response to the article?
A: Yes. We sent a letter to the editor, which was published on Sunday, Oct. 2. Here is the text of that letter.

Note: Letters to the editor are limited to approximately 150 words.

To the Editor:

Re "They Were Entitled to Free Care. Hospitals Hounded Them to Pay.", by Jessica Silver-Greenberg and Katie Thomas (Sept. 24):

Last year, Providence provided charity care to more than 266,000 individuals. We also increased our community benefit levels to $1.9 billion in 2021, up by $366 million since the pandemic began.
Our financial assistance policies meet or exceed federal and state laws, and we continuously improve them. Regrettably, an error occurred that led to collection efforts from some patients who were eligible for charity care programs. The article's claim that this was done as a matter of policy goes against everything we stand for. We rectified this error and deeply regret that it happened. We are reaching out to impacted individuals and are issuing repayment, including interest.

Our commitment to our mission remains unwavering even as we sustain significant operating losses – including nearly $1 billion in losses for Providence so far this year. Serving those in need regardless of ability to pay remains at the heart of who we are.

Greg Hoffman, CFO
Providence