



NATIONAL UNION OF HEALTHCARE WORKERS

(866) 968-NUHW (6849) ♦ NUHW.org ♦ info@nuhw.org

Via First Class Mail and Electronic Mail

July 5, 2018

The Honorable Xavier Becerra
Attorney General, State of California
1300 I Street
Sacramento, CA 95814

Re: Conditions attached to the Attorney General Decisions regarding Providence St. Joseph Health System Hospitals

Dear Attorney General Becerra:

I'm writing to convey NUHW's concerns about Providence St. Joseph Health System's (PSJH) compliance with conditions specified in the Attorney General's decision dated June 21, 2016 regarding the nonprofit hospital transaction by and between Providence Health & Services and the St. Joseph Health System.

On June 21, 2016, after a lengthy review process including testimony at multiple public hearings across California, your office granted conditional consent to the PSJH combination agreement subject to various conditions for the following PSJH hospitals:

1. Providence Saint Joseph Medical Center
2. Providence Holy Cross Medical Center
3. Providence Tarzana Medical Center
4. Providence Little Company of Mary Medical Center San Pedro
5. Providence Little Company of Mary Medical Center Torrance
6. St. Joseph Hospital of Eureka
7. Redwood Memorial Hospital
8. St. Jude Medical Center
9. Santa Rosa Memorial Hospital
10. Queen of the Valley Memorial Hospital
11. St. Mary Medical Center
12. St. Joseph Hospital
13. Mission Hospital Regional Medical Center

Two additional PSJH hospitals, Saint John's Health Center and Hoag Memorial Hospital Presbyterian, have existing conditions specified in three additional decisions and/or agreements reached by your office.¹

Pursuant to the aforementioned decisions and agreements, each of these fifteen hospitals is required to provide minimum levels of charity care expenditures for six fiscal years following the closing date of their reviewed agreement or transaction. Moreover, as part of the standard review and consent process set forth in 11 C.C.R. § 999.5, these PSJH hospitals have agreed to comply with *all* applicable Attorney General conditions of consent and agreements.

As of July 4, 2018, each hospital had submitted their Fiscal Year 2016 audited hospital annual financial disclosure reports to the Office of Statewide Health Planning Development (OSHPD). For Fiscal Year 2017 only St. Joseph Health System hospitals had submitted reports. These reports indicate that for the first fiscal year after the closing date of the PSJH agreement, 13 of the 15 PSJH hospitals failed to meet the minimum charity care expenditure requirements specified in your office's agreements and decisions. ²

Altogether, following the closing date of the PSJH agreement, PSJH hospitals failed to meet charity care obligations by a combined total of \$20,791,175, meaning that collectively the hospitals only met 72.4% of the threshold for charity care costs during the first fiscal year of required compliance.

TABLE 1 - CHARITY CARE COSTS FOR THE FIRST FISCAL YEAR FROM THE CLOSING DATE OF THE PSJH AGREEMENT

Hospital	Charity Care ³			
	Condition	Requirement	Costs	Difference
Providence Saint Joseph Medical Center	VIII.	\$3,876,440	\$1,807,155	-\$2,069,285
Providence Holy Cross Medical Center	IX.	\$5,740,594	\$6,241,667	\$501,073
Providence Tarzana Medical Center	VII.	\$1,618,304	\$950,435	-\$667,870
Providence Little Company of Mary Medical Center San Pedro	X.	\$1,710,053	\$1,961,786	\$251,733
Providence Little Company of Mary Medical Center Torrance	IX.	\$4,695,449	\$2,304,704	-\$2,390,746
St. Joseph Hospital of Eureka	IX.	\$2,061,068	\$1,505,591	-\$555,477
Redwood Memorial Hospital	VII.	\$812,495	\$571,377	-\$241,118
St. Jude Medical Center	IX.	\$7,401,427	\$5,248,676	-\$2,152,751
Santa Rosa Memorial Hospital	IX.	\$6,627,886	\$4,509,782	-\$2,118,104
Queen of the Valley Memorial Hospital	VIII.	\$2,975,670	\$1,998,603	-\$977,067
St. Mary Medical Center	IX.	\$7,772,603	\$2,269,371	-\$5,503,232
St. Joseph Hospital	XI.	\$9,243,620	\$6,754,303	-\$2,489,317
Mission Hospital Regional Medical Center	XII.	\$7,429,627	\$7,045,958	-\$383,669
Saint John's Health Center	VII.	\$1,409,054	\$1,332,308	-\$76,746
Hoag Memorial Hospital Presbyterian	IX.	\$9,261,000	\$8,095,205	-\$1,165,795

Source: OSHPD Disclosure Reports, Fiscal Year 2016 & 2017.

We are concerned for the well-being of individuals and families living in the service area of each PSJH hospital that has failed to meet the charity requirements. At a time when many Californians still lack insurance or have inadequate insurance, we need hospitals to meet their charity care obligations under state law. Secondly, we are also concerned that there seems to be a widespread pattern of failure by PSJH – a hospital system with 4,927 licensed beds in California - to meet charity care obligations across the supermajority of its California hospitals.⁴

We respectfully request that the Attorney General investigate each PSJH hospital for compliance with existing charity care obligations in order to ensure that PSJH and each PSJH hospital fulfill its responsibilities under the Attorney General's conditions. Furthermore, for each PSJH hospital, and pursuant to each hospital's relevant charity care condition (see Table 1), we request that the Attorney General ensure that payment is made to "one or more tax-exempt entities that provided direct medical services to residents" in each hospital's service area.

Secondly, we oppose any future request for modification of charity care obligations by PSJH. We are aware of the Attorney General's denial letters from April of 2018 to three hospitals that had submitted charity care modification requests to conditions set forth in earlier Attorney General conditional consent decisions.

Each of these requests articulated a similar rationale for allowing hospitals to reduce their charity care obligations: namely that the implementation of the Affordable Care Act (ACA) has decreased the pool of patients eligible for charity care and that this change in circumstance could not have been reasonably foreseen. Given the millions of Californians who remain uninsured and underinsured, and the fact that the ACA was signed into law in 2010, we do not see merit in this argument. A large number of individuals remain in plans with high out-of-pocket costs and high premiums meaning that for a large segment of the population, charity care plays an important role for those who would otherwise forgo needed health care. Based on earlier communication with your office, it is our understanding that, to date, no such request has been submitted by PSJH. However, if at some point in the future PSJH hospitals request to decrease their charity care obligations, NUHW respectfully requests that your office not alter the charity care conditions it placed on PSJH.

Thank you for your attention to these important matters and to our request above. Should you have any questions, feel free to contact Pavel Vanegas at 510-834-2009.

Sincerely,



Sal Rosselli
President, National Union of Healthcare Workers

cc: Sean McCluskie, Chief Deputy Attorney General
Scott Chan, Deputy Attorney General
Pavel Vanegas, Research Coordinator, National Union of Healthcare Workers

¹ These decisions and/or agreements are the Attorney General's decision dated January 14, 2014 regarding Saint John's Health Center, the Attorney General's decision dated February 8, 2013 regarding the affiliation of Hoag Memorial Hospital Presbyterian and St. Joseph Health System, and the March 18, 2014 agreement between the Attorney General and Hoag Memorial Hospital Presbyterian.

² Each of the relevant charity care conditions per the Attorney General's conditional consent letters state that the "definition and methodology for calculating 'charity care' and the methodology for calculating 'costs' shall be the same as that used by OSHPD for annual hospital reporting purposes." Using this same definition for charity care costs, NUHW's review and subsequent analysis of these hospital disclosure reports indicate that for the year following the closing date of the PSJH agreement, 13 out of 15 PSJH hospitals failed to meet the minimum requirements for charity care contributions.

³ (1) Charity care requirement and costs for St. Joseph Health System hospitals are for Fiscal Year 2017 (July 1, 2016 through June 30, 2017), the first fiscal year from the closing date of the PSJH agreement; (2) Charity care requirement and costs for Providence Health & Services hospitals are pro-rated (from July 1, 2016 through December 31, 2016) for Fiscal Year 2016, the first fiscal year from the closing date of the PSJH agreement; (3) Saint John's Health Center and Hoag Memorial Hospital Presbyterian have charity care requirements set forth by prior Attorney General conditions. For these two hospitals the minimum charity care amount was determined using an annual CPI adjustment.

⁴ Source: Hospital Annual Utilization Report, OSHPD, 2016