



# Holes in the Safety Net:

The Challenge of Finding and Getting  
Hospital Free Care in Chicago, Illinois



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## Preface

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**The Campaign for Better Health Care (CBHC or “the Campaign”)** is Illinois’ largest grassroots statewide health care consumer advocacy coalition, with main offices in Chicago and Champaign. CBHC’s over 300 organizational and nearly 1,000 individual supporters include senior groups, labor organizations, disability rights groups, children’s advocacy organizations, faith-based organizations, health care providers, women’s coalitions, and others concerned about wellness and access to health care in Illinois.

CBHC’s accomplishments include grassroots mobilization for the passage of an Illinois managed care consumer bill of rights, successful campaigns to establish marketing standards for Medicaid HMO’s and to end Medicaid discrimination by health care institutions, and the development of funding strategies for health care facilities that serve the uninsured throughout the state. CBHC also offers educational services to all Illinois health care consumers, regardless of insurance status.

**The Access Project** is a national healthcare initiative supported by The Robert Wood Johnson Foundation and the Annie E. Casey Foundation. It works in partnership with the Heller Graduate School for Advanced Studies in Social Welfare at Brandeis University and the Collaborative for Community Health Development and began its efforts in early 1998. The mission of The Access Project is to improve the health of our nation by assisting local communities in developing and sustaining efforts that improve healthcare access and promote universal coverage, with a focus on people who are without insurance.

**Community Catalyst** is a national organization that works with consumer advocacy groups to expand access to quality healthcare for all, including the most vulnerable. Its mission is to build consumer and community participation in the shaping of the U.S. health system. Community Catalyst helps state and local consumer health groups develop the legal, policy, and organizational tools needed to cope with the changes transforming healthcare.

## **Acknowledgements**

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## Executive Summary

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Free care—sometimes called charity care—is a critical piece of the health care safety net. Free care is care provided by a hospital to low-income, uninsured people for which the hospital does not expect to be paid. For people who have no health insurance and little money, free care is often the only way they can get necessary medical treatment. This is true in Chicago, which has approximately 1.4 million residents with no health insurance who do not qualify for public assistance programs such as Medicaid.

Hospitals have an obligation to provide free care for several reasons. First, nonprofit hospitals are given tax-exempt status because it is assumed that they bring special skills and capacity to address problems in their area of expertise and in their immediate geographic locale. In return for their tax exemption, nonprofit hospitals are expected to use their assets to provide services and benefits to the entire community. Historically, the community benefits and services provided by nonprofit hospitals have included the provision of free care to individuals who do not have the means to pay some or all of their hospital expenses.

A second source of the free care obligation grows out of the principle that all institutions providing essential services should acknowledge a minimum corporate social responsibility to the community in which they operate. There is no question that health care is an essential service that is critical to the well being of individuals and to the health of the public. When health care is not easily accessible, the results can be catastrophic to the community in which the hospital operates.

Third, the Illinois legislature issued a statement of public policy intent that there should be established “efficient and economical systems of public health care delivery in densely populated counties throughout the State.” Although this recognition of the importance of free care is not accompanied by any explicit requirement on Illinois hospitals with regard to how much free care they must provide, there is an expectation that they will provide at least some amount of free care.

Over the course of its work, the Campaign has heard recurring concerns regarding the difficulty of accessing free or reduced cost care at hospitals in the Chicago community. Community members understand that Cook County Hospital (“Cook County”) provides free care—and it is publicly clear and unambiguous about its mission to do so. Community members do not understand, however, why the other hospitals in the community do not appear to participate in or contribute to this important safety net function.

While its mission may not be in danger, external circumstances suggest that other institutions must share the burden of caring for the uninsured. Competitive pressures can put those institutions that maintain a commitment to a charitable mission at a disadvantage relative to institutions that do not have such a mission. In order to determine how to address this potential threat to the safety-net system in Chicago, the Campaign decided the first step was to undertake an assessment of the

availability of information about free care and, by extension, the availability of free care itself, at five of Chicago's acute care hospitals.

## SURVEY FINDINGS

- 1. At three of the five hospitals surveyed, researchers were told that no free care is available.**
- 2. Four of the five hospitals will bill uninsured patients for services rendered, and if the bills are unpaid, they will be sent to collection.**
- 3. Written information about free care programs and hospital policies regarding free care is not readily available at any of the hospitals.**

The concern here is that while some of the hospitals are providing free care, they are not taking the steps necessary to inform patients and the public that free care is available to those in need. Thus, people are not seeking needed care because they do not know—and cannot easily find out—about free care. In addition, those who seek care and who would fall under free care requirements were later billed for the care. For people with urgent—or even routine—medical needs who do not have the resources to pay for them, this lack of information can make a bad situation even worse.

## RECOMMENDATIONS

Based on the findings, The Campaign for Better Health Care recommends that:

**State government** support legislation that expands the availability of free care through the use of broader-based funding.

**Local government** require hospitals to acknowledge the obligations that go hand in hand with their non-profit status. To the extent that they receive tax exemptions, they should be required to provide community benefits including free care in a corresponding amount.

**Hospitals** reach out to local communities and work with them to craft and publicize free care policies that address community needs.

**The community** work closely with local hospitals to craft free care policies that are responsive to the needs of the community.

## A CALL TO ACTION

What do we want? We want this report to accomplish the following:

- We want this report to underscore the need for free care requirement at each hospital throughout Chicago.
- We want to reinforce for Chicago's leadership and community the critical nature of free care and the need to ensure that it is readily accessible.
- We want to challenge local leadership and the community to work for health care access expansion that will strengthen the health care safety net.

## Introduction

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In 1997, The Campaign for Better Health Care initiated a Local Public Health Accountability Project. One of the goals of this project is to enhance the ability of consumers and local communities to influence changes occurring in the health care system. Those changes, which include major restructurings of the hospital and health insurance markets, pose a serious threat to access to care for the uninsured and other vulnerable populations. As health care facilities become increasingly focused on the bottom line, their willingness and ability to provide free and reduced price care becomes more limited. The Campaign believes it is important that these changes address the health care needs of patients and the communities where the services and facilities are located, and is working to organize communities to ensure that happens.

Over the course of its work, the Campaign has heard recurring concerns regarding the difficulty of accessing free or reduced cost care at hospitals in the Chicago community. Community members understand that Cook County Hospital (“Cook County”) provides free care—and it is publicly clear and unambiguous about its mission to do so. Mt. Sinai hospital also has a program that provides some amount of free and reduced price care. Community members do not understand, however, why the other hospitals in the community do not appear to participate in or contribute to this important safety net function.

The concern about the adequacy of free care resources increased recently when the Chicago Tribune announced in 1999 that the University of Illinois Medical Center, Cook County, and Rush Presbyterian-St. Luke’s were beginning to explore a potential consolidation of certain departments. In February 2000, the three hospitals announced that they had narrowed potential areas of collaboration to include: medical resident programs, clinical pathology, anatomical pathology, rehabilitation medicine, libraries, animal facilities, and pediatric specialties. Officials also indicated that they would consider merging more services in the future.

The Campaign is concerned that consolidation of a few departments will ultimately lead to larger scale consolidation of other departments and a potential merger of Cook County with one or more other hospitals. With anecdotal information showing that Cook County is the only hospital that consistently provides free care to Chicago residents, the Campaign feels it is vitally important that the commitment to the uninsured and under-insured not be diluted, and that other hospitals step in to share that burden in more than a token way.

In order to determine how to address this potential threat to the safety net system in Chicago, the Campaign decided the first step was to undertake an assessment of the availability of information about free care and, by extension, the availability of free care itself, at five of Chicago’s acute care hospitals.

## WHAT IS FREE CARE?

Free care—or charity care, as it is sometimes called—is medical treatment provided by a hospital or other provider for which it does not expect to be paid. If a person is eligible and approved for free care by the hospital, the hospital does not expect to be paid and the hospital will not send bills to a collection agency. Free care is different from what hospitals call “bad debt.” Bad debt is money that is owed for hospital services for which the hospital does expect to be paid. The distinction is important. Bad debt is a cost of doing business in any industry. Bad debt is just as likely to result from unpaid insurance claims or the unpaid co-insurance amount for a higher-income individual as it is from a lower-income person who cannot afford to pay for care. Because free care funds may be limited, it is important that they be properly targeted to those with demonstrated need and not be used as a substitute for hospital collection activity when there is an ability to pay.

## WHY IS FREE CARE IMPORTANT?

For people who are uninsured or have only limited coverage, free care may represent the only avenue to necessary medical treatment. It is an essential safety net for many working individuals and families who are not eligible for coverage through a government program like Medicaid or Medicare, and who do not get health insurance through an employer. The availability of free care is particularly important in cities like Chicago, which have significant numbers of uninsured and under-insured residents. According to recent population data, over a million people in the metropolitan Chicago area have no health insurance.<sup>1</sup>

The unavailability of free care can have a catastrophic effect on individuals and families. In some cases, low-income people may avoid seeking essential—even life-saving—care if they think they will be billed for it. People without insurance often seek care at a hospital emergency room. Emergency rooms are equipped to screen for and stabilize urgent and emergency medical conditions. They are not set up to provide follow-up or on-going care that might be required. In addition, while hospitals are required by federal law to provide screening and stabilization services without requiring evidence of ability to pay, they can and do bill patients after the fact. If an individual receives care for which he or she can't pay, the hospital may start collection proceedings. Ultimately, the patient's credit rating can be ruined and some individuals and families may have to resort to filing for bankruptcy. Both of these situations can affect access to other basic human needs, such as housing and utilities.

Cook County Hospital historically has provided most inpatient free care to Chicago's uninsured. That has always been its mission, and that mission has internalized by its staff to the extent that as one staff person has said “Here, we have no such thing as ‘ineligibles’.” While its mission may not be in danger, external circumstances suggest that other institutions must share the burden of caring for the uninsured. The competitive pressures of the health care marketplace are leading to an increased focus on the bottom line. Cost containment demands lead institutions to

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<sup>1</sup> Current Population Survey, U.S. Census Bureau

consider eliminating critical but “unprofitable” community services, including free care. Competitive pressures can put those institutions that maintain a commitment to a charitable mission at a disadvantage relative to institutions that do not have such a mission.

As the free care “supply” is jeopardized, the demand may well be increasing. The economy is showing signs of weakening, and there is a legitimate concern that fewer jobs—particularly those that are low skilled—will include health insurance benefits. This means that the numbers of people without insurance, particularly in areas like Chicago with high concentrations of low-wage workers, will most likely increase. Cook County Hospital is a resource for this population that Chicago should be proud of, and that state and local policymakers should strive to preserve. A logical solution to lightening Cook County’s burden is to make sure the other hospitals are sharing the burden.

### *The Free Care Obligation*

The provision of free care is more than a nice, altruistic thing for a hospital to do. The fact is that most hospitals have an obligation to provide such care. That obligation arises from several different, but equally important, sources. One source of the free care obligation relates to a hospital’s status as a nonprofit institution. Tax exemptions are given to nonprofit health care organizations in part because it is assumed that they bring special skills and capacity to address problems in their area of expertise and in their immediate geographic locale.<sup>2</sup> In return for their tax exemption, nonprofit hospitals are expected to use their assets to provide services and benefits to the entire community. Historically, the community benefits and services provided by nonprofit hospitals have included the provision of free care to individuals who do not have the means to pay some or all of their hospital expenses.

The IRS has recently clarified this point. In a March 2001 “advisory” to its field agents, the IRS outlined what can be expected of nonprofit hospitals in order to demonstrate that they are meeting their charity care obligations to maintain their tax-exempt status. According to the February 2001 “guidance”, a nonprofit hospital “must show that it actually provided significant health care services to the indigent.” In order to document that a hospital is meeting its tax-exempt obligations, agents are instructed to determine, among other things, whether the hospital has a “specific, written plan or policy to provide free or low-cost health care service to the poor or indigent”, whether it makes the “terms and conditions of its charity policy” public, and “what inpatient, outpatient, and diagnostic services” are actually provided as free or reduced price care.

A second source of the free care obligation grows out of the principle that all institutions providing essential services should acknowledge a minimum corporate social responsibility to the community in which they operate. The production of health care services “.is a unique form of economic activity with profound ethical implications. As a result, societal expectations of health care organizations tend to

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<sup>2</sup> Barnett, K. “The Future of Community Benefit Programming,” The Public Health Institute, Berkeley, CA, 1997.

be higher than those of other economic entities.”<sup>3</sup> There is no question that health care is an essential service that is critical to the well being of individuals and to the health of the public. When health care is not easily accessible, the results can be catastrophic. Because of health care’s essential nature, all hospitals, regardless of tax status, have a social obligation to provide some amount of these services.<sup>4</sup> This concept is particularly important in today’s health care marketplace. All hospitals, both nonprofit and for-profit, face fiscal constraints in a market dominated by managed care. This reality is spurring public policy makers in some states to implement free care requirements for nonprofit and for-profit institutions alike.<sup>5</sup>

A third source of the free care obligation, depending on where the hospital is located, may be a statute or regulation. The obligation may also be derived from a statement of public policy intent. In Illinois the legislature has recognized that:

[A]dequate health care is a fundamental right of the people of the State of Illinois; **that there should be no distinction in the availability of quality health care based upon one's inability to pay**; that the alarming acceleration of health care costs often results in calamitous financial burdens for the unfortunate families which suffer major illnesses or injuries; and that there exists an urgent need for substantial improvement in the State's ability to provide health care services to the indigent in a proficient and compassionate manner. Therefore, it is the intent of the General Assembly to establish efficient and economical systems of public health care delivery in densely populated counties throughout the State.

55 ILCS 5/5-37002 (emphasis added).<sup>6</sup>

Although this recognition of the importance of free care is not accompanied by any explicit requirement of Illinois hospitals with regard to how much free care they must provide, given the magnitude of the need coupled with the tax status or—in

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<sup>3</sup> See Footnote 2.

<sup>4</sup> The notion of a corporate social obligation is not unprecedented. Banks are statutorily required to make basic checking services available to all communities and to reinvest assets into the communities they serve. Utility companies are required to service all geographic areas, including “unprofitable” rural regions. Health insurance companies, both for profit and nonprofit, are generally expected to offer coverage to all businesses regardless of individual health status, to limit the use of pre-existing condition exclusions, and to assure continuity of coverage for people in transition.

<sup>5</sup> Rhode Island General Law §23-17-41 establishes a standard for provision of free care that applies to all hospitals. Massachusetts General Law Chapter 118G which governs payment of hospital uncompensated care and eligibility for free care applies to all acute care hospitals in the state. Chapter 70.170 of the Revised Code of Washington requires all hospitals to provide free care to certain income-eligible individuals.

<sup>6</sup> See also 305 ILCS 5/5-17(a)(1)(B)(2) (“it is the policy of the State to implement programs that more equitably distribute the burden of providing hospital care to Illinois’ low-income population and that improve access to health care in Illinois.”); § 305 ILCS 35/1-2 (“It is in the public interest and it is the public policy of this State to provide for and improve the basic medical care and long-term health care services of its indigent, most vulnerable citizens”)

the case of for-profit institutions—the social responsibility these institutions have, there is an expectation that they will provide at least some amount of free care. The absence of specific requirements has meant that the extent to which facilities honor their social obligation and make free care available varies according to each individual hospital's policies and procedures.

### *The Survey: Purpose and Methodology*

In the fall and winter of 2000, the Campaign decided to conduct a free care survey to see:

- Whether it is easy for community members to get information about the availability of free care from Chicago hospitals; and
- Whether hospitals have explicit free care policies and procedures.

The survey methodology was a simple one. Surveyors were trained to make telephone inquiries and site visits to five Chicago hospitals, seeking information about the availability of free care and the hospital's policy for providing it. The calls and visits were made during the day and/or evening. With respect to the telephone calls:

- Three telephone inquires were made to each hospital general information number by the researcher identifying him- or herself as being uninsured or indicating that he or she was calling on behalf of an uninsured relative.
- Telephone inquires were also made to each hospital's billing and social services department by researchers identifying themselves as social service agency workers.

With respect to the site visits, one researcher went to each hospital to document whether there were signs indicating the availability of free care.

The researchers asked the following questions:

- Do you give free care if someone doesn't have money to pay?
- If yes, do you have a written description of your free care policy or program? If yes, will you send it to me?
- Is there a written application? If yes, will you send it to me?
- Can I apply for free care before I go to the hospital?
- Will you send bills while I am applying for the program, even if I don't have money to pay?
- Does free care cover everything, or do I still have to pay for some thing?

To ensure uniformity of approach, the researchers used a telephone protocol and a site visit protocol. Researchers then recorded the results of their telephone conversations and site visits.



## Survey Findings

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The focus of the free care survey was whether information about free care was readily available from Chicago hospitals. What the researchers discovered, however, is that with two exceptions, free care is not available at all or it is such a well kept secret that front line staff are completely unaware of its existence.

- 1. At three of the five hospitals surveyed, researchers were told that no free care is available.**
  - At the three hospitals the staff at the general information telephone number was very consistent in their responses that the hospital provided no free care.
  - On three occasions, researchers were told to go to Cook County if they needed free care.
- 2. Four of the five hospitals will bill uninsured patients for services rendered, and if the bills are unpaid, they will be sent to collection.**
  - Hospital staff members were very matter of fact about the steps that would be taken by the hospital if someone were unable to pay for their care: no matter what the circumstances, bill collection would be the ultimate result.
  - In case of an emergency, services would be provided and patients would be billed for the service.
- 3. Written information about free care programs and hospital policies regarding free care is not readily available at any of the hospitals.**
  - At the hospitals that provided free care, the researchers were informed either that no written information was available or it was only available after services were rendered.

Selected findings and observations for each of the hospitals in the survey are as follows:

### **Michael Reese Medical Center**

- The researcher was told that the hospital provided no free care services but that in an emergency the person would be treated, although they would still be billed.
- The billing department indicated that if the patient could not pay their medical bill, the bill would be sent to a collection agency.

“She would just be billed. Our hospital gives no free care at all; I don’t know what to tell you. If it were an emergency they’d take her, but she’d be billed.”

“If someone couldn’t take care of their bill, it would be sent to collection.”

## **Cook County**

- In all instances but one, the researcher was told that free care was available, however, no written policy existed other than the mission statement.
- While the billing and social services department were clear that free care was available, there was confusion in both departments as to the details of how the policy was implemented. For example, the social services department said that no paperwork was necessary, while the billing department said there was an application that required proof of income.
- Staff members indicated that everyone is covered, including undocumented individuals.
- Cook County was the one institution where the researcher had a very difficult time getting anyone to answer the telephone.
- There was no visible signage publicizing the availability of free care.

“Everybody has to pay something.”

“Here, we have no such thing as ineligibles.”

“They will still be seen, it is written into the mission statement.”

“They won’t turn anybody down. If ineligible for public aid, they can apply for the limited liability program.”

## **Mount Sinai**

- Most employees who responded to the researchers calls were aware that the hospital provides free care and has a sliding fee scale.
- Staff said there is a free care application, but they would not provide it to the researcher.
- Free care and sliding fee scale applications are handled through financial counselors.

“ Yes there is a free care application, but the patient would get it only after they’ve received services and cannot pay. We can’t give you a copy.”

“All services are covered except for the doctors. They bill separately.”

“The main office would help them fill out a Medicaid form; if ineligible they would go to a financial counselor who would fill out a charity form and give them a discount based on their income.”

### **St Luke's Medical Center**

- In all instances the researcher was informed that the hospital provided no free care services.
- In all instances the person would be seen if it were an emergency, however a payment plan would be developed with the patient.
- In one instance the researcher was referred to Cook County Hospital.
- There was no visible signage publicizing the availability of free care.
- There was a large visible sign publicizing the price list for various hospital procedures.

“If it was a life threatening emergency, we would take you to stabilize you, but you would be billed for everything.”

“ They would still be billed, and if they could not pay, the information would be sent to a collection agency.”

“ You would have to go to Cook County for that. They are especially designed for the uninsured.”

“The person would be treated if it were an emergency, but then a payment arrangement would be made with them.”

### **University of Illinois, Chicago**

- In all instances, the researcher was informed that the hospital provided no free care and that payment plans are available.
- Two staff members referred the researcher to Cook County Hospital.
- Two staff members indicated that patients had to pay a \$36 deposit before they could receive services.
- Signage publicizing a patient right to services was visible, but there was no visible signage publicizing the availability of free care.

“If they didn't have the \$36, we wouldn't see them. If they needed service we would discontinue it if there was no way the hospital would get paid. If they can't pay anything they should go to Cook County Hospital.”

“If they come here, and were ineligible for public aid, they would be billed. If they didn't pay their bill, they would be sent to collections.”

“The person would be billed, but given a social worker to try to find public aid. If ineligible, we would set up a payment plan, but we wouldn't stop seeing the patient.”



## **Recommendations**

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Because free care is an essential part of the health care safety net, it is critical that hospitals provide it, and that those who need it can access it without difficulty. A number of steps should be taken by responsible authorities and by the hospitals themselves to ensure that present obligations are being met. In addition, regulatory changes should be made to strengthen the free care system. The Campaign for Better Health Care recommends that stakeholders take the following steps to improve the current situation:

### ***State Government***

- Ensure that statements of legislative policy provide more explicit guidance to health care institutions and supplement hospital obligations with programs that provide access to care for those who fall between the cracks of existing public programs. Support legislation described above that expands the availability of free care through the use of broader-based funding.
- Condition receipt of supplemental Medicaid funds on the adoption of certain free care policies and on free care performance. The state has a fair amount of latitude in the distribution of Medicaid “disproportionate share hospital” (DSH) funds. It should condition receipt of those funds on free care policies that provide full or partial free care to individuals up to 400% of poverty.

### ***Local Government***

- Press the hospitals to acknowledge the obligations that go hand in hand with their nonprofit status. Hospitals should be required to provide community benefits including free care in an amount that corresponds to the amount of tax-exemptions they receive.
- If local government approvals are necessary for the merger or consolidation of hospital services, they should require that hospitals make commitments regarding the provision of free care as a condition of receiving regulatory approval. If local government approvals are not required, support the introduction of state legislation that institutes such a requirement, and identify free care as an issue that must be satisfactorily addressed as a condition of receiving the approval.
- Support the introduction of state legislation that guarantees full or partial free care for individuals and families with incomes of up to 400% of the Federal Poverty Level, and that ensures an equitable distribution of the free care burden by establishing a free care pool funded by the state, hospitals, and health insurers and third party payers.

### ***The Hospitals***

- Reach out to local communities and work with them to craft free care policies that address community needs.
- Adopt free care policies and prominently display policies in order to inform patients.

- Educate front line staff about hospital free care programs and how they can assist patients in accessing those programs.
- Make every effort to help low income patients apply for assistance programs for which they may qualify before billing those ineligible for free care.
- Support passage of the legislation described above that expands the availability of free care and provides for broader-based funding.

### ***The Community***

- Establish a relationship with the local hospital. The hospital is there to serve its community, but it may need help in knowing the best way to do that.
- Undertake public education about free care programs and how they can be accessed. Provide assistance to community members in obtaining free care.
- Support passage of the legislation described above that expands the availability of free care and provides for broader-based funding.