

Charity Care and Community Benefit
Advocate Health Care Network and Advocate Health and Hospitals Corporation, Oak Brook, Ill.
1. How does your organization define charity care?
Advocate's charity care policy defines "charity assistance" as health care services that Advocate facilities provide free-of-charge, or at a reduced amount, to individuals who meet certain financial eligibility criteria.
What types of activities or programs does your organization include in its definition or determination of charity care?
The charity care programs extend to all activities and programs conducted by Advocate's hospitals. This policy provides for discounts to patients with incomes of up to four times the federal poverty level. Charity assistance discounts related to elective services are subject to budget constraints and are at the discretion of the hospital.
Which of these activities or programs would your organization not incur, at all or to the same extent, if you were organized and operated as a for-profit hospital?
It would be speculative to engage in comparisons without complete information about other healthcare organizations and their activities. However, if we were required to pay taxes, the resulting decrease in our operating income would necessarily diminish the amount of community benefits we could provide.
Does your organization maintain a charity policy?
Yes
If so, please describe the policy or provide a copy of such policy.
Copy provided at Tab 1.
Does this policy require that certain types and amounts of charity care be provided?

No
2. What are the 10 largest categories of charity care expenditures incurred by your hospital for the past five years?
Medicare Program, Medicaid Program, Medical education, Bad debt cost, Charity Care cost, Subsidized health services, Cost of volunteer services, Contributions to other charitable and Community/civic organizations, Language assistance services, Other government sponsored program services (TRIAD-CHAMPUS program)
How does this differ from 10 years ago?
The information is not available as the information was either not collected or the information systems used to access such information were replaced or did not exist.
25 years ago?
N/A - Advocate was formed in 1995
3. What percentages of your patients for your most recent fiscal year were:
(a) uninsured (self pay) 2.67%
(b) covered by Medicare 38.04%
(c) covered by Medicaid or other state or other governmental program providing medical care benefits for low income individuals 12.98%
(d) otherwise covered by private insurance 42.70%
4. Does your hospital ever agree to waive its fees immediately upon admission of a patient? If so, under what circumstances?
Yes. In certain cases, it is already known prior to admission that the patient qualifies for financial assistance and fees are waived upon admission. For patients whose financial circumstances are unknown, all hospitals are consistent with federal law.

5. What effect, if any, has the increase in patient co-payments and deductibles had on patient bad debt write-offs of your hospital over the past five years?

Advocate's bad debt write-offs as a percentage of gross revenue have decreased over the past five years. We would be happy to discuss this matter further with the Committee.

6. Has your hospital or other members of your hospital system group entered into joint ventures with other non-profit, tax-exempt hospitals to provide charity care or health care services? If so, please describe the nature of such joint ventures.

Advocate collaborates with numerous other tax-exempt health care organizations, including hospitals and clinics, to provide charity care and health care services. Most of these relationships are site-specific, depending on the community needs and institutions present in the local area a hospital serves. Examples provided.

7. Has your hospital or other members of your hospital system group entered into joint ventures with physicians or other for-profit companies or investors to conduct unrelated trade or business activities? If so, please describe the nature of such joint ventures.

No

8. Has your hospital or other members of your hospital system group enter into joint ventures with physicians or other for-profit companies or investors to conduct health care activities you consider to be substantially related to your core charitable mission? If so, please describe the nature of such joint ventures

Advocate tax-exempt entities have not entered into joint ventures that we consider to be "substantially related" to our core mission. Taxable Advocate affiliates have entered into several joint ventures. These include investments in 4 surgery centers, a surgery center management company that is a spin off of one of the surgery centers, and a free standing outpatient dialysis center.

9. Do any of your hospital or hospital system joint ventures have charity care policies that require certain types or amounts of charity care to be provided? If so, please describe such policies, and how they are similar to or different from your hospital's charity care policy.

Advocate has entered into five joint ventures through our tax-exempt entities. Advocate has contributed to and remains a member of Hospitality Laundry Services, a not-for-profit entity that provides laundry services. Advocate and Aurora Health System, a Milwaukee not-for-profit delivery system, are partners in a laboratory joint venture. Advocate cannot track charity care provided by these entities. Advocate Health Care and Resurrection Health Care are the corporate members of Rainbow Hospice. Rainbow operates independently as a non-profit tax-exempt org. Rainbow has a policy that a patient's financial status must be estab. prior to accept for admission. Advocate entered into a joint venture with Rehab. Institute of Chicago to provide rehabilitation services to inpatients and outpatients. Pursuant to the joint venture agreement, that joint venture provides charity care in accord with Advocate's charity care. Chicago Northside MRI provides imaging services to their patients and communities. This entity offers flexible pmt plans, but does not offer charity care discounts.

Also explain the role your hospital has in assuring that the charity care policy of the joint venture is enforced

Question not addressed.

If your organization does not track charity care expenses by such categories, please explain why not, and provide a narrative response that explains whether there are certain categories of care for which charity care is more important or is not relevant

Advocate does not track charity care by categories because our charity data gathering capabilities have been structured to conform with the requirements of the Illinois Community Benefits Act. The Act does not require tracking expenses by category.

10. Please respond to the following assertion: Many nonprofit, tax-exempt hospitals engage in joint ventures that shift the most profitable and valuable procedures, practices, and income streams to the joint ventures so that the greater profits and value may be shared with physicians and other for-profit persons

Advocate does not engage in such joint ventures. Advocate lacks sufficient information to address allegations about other hospital systems or generalize about their collective practices.

11. How do you assure that your joint ventures with others do not deplete your hospital's resources that otherwise would be available for charity care, such as by tying up cash and other liquid assets in the investments in the joint venture

Advocate's tax-exempt affiliates have engaged in relatively few joint ventures. These ventures have been undertaken to further Advocate's charitable mission.

12. Please provide a charity care breakdown for each entity that is a member of your hospital system group

Consistent with requirements of the Illinois Community Benefit Act, we disclose our charity care and other community benefit expenditures on a system-wide basis.

In your opinion, should charity care be measured on an aggregate group basis or on an organization-by-organization basis

Advocate supports measuring charity care on an aggregate basis, because this avoids problems that could arise with respect to potential double counting of community benefits expenditures (for example if one hospital within a system group made a charitable contribution to another member of the system group). Measuring charity care on an aggregate group basis is consistent with Advocate's legal structure (7 of 8 Advocate hospitals are within a single legal entity).

13. In your judgment, should Federal tax law require each joint venture in which a tax-exempt hospital participates to have a charity care requirement?

Advocate has no opinion at this time on the question. Joint ventures involving Advocate's tax-exempt hospitals that deliver direct health care services to patients offer charity care under the same policies as the rest of the Advocate system.

If so, should the amount of the requirement differ depending upon the extent of ownership by exempt hospitals in the joint venture?

14. How does your hospital account for charity care provided by a joint venture in which the hospital participates? For example, if your hospital is a 50% owner of a joint venture, and the joint venture provides \$100 of charity care, do you count \$0, \$50, \$100, or some other amount, as charity care provided directly by your hospital?

Under GAAP, a hospital may report charity care only for those entities/joint ventures that are consolidated in the parent company's financial statements.

15. What types of research and teaching are performed by your hospital as a charitable or educational activity?

Educational Activity - Medical education at the undergraduate (1,500 students) and graduate (625 residents/fellows) levels at three hospitals. Continuing Medical Education opportunities for physicians and associates totaling 2,548 instructional hours to 21,540 participants. Research Activity - Five primary types of research occur. Other Educational Activities - Directed to non-physician health professionals and community members. For example, Advocate works with faith communities through our Parish Nurse Ministry to provide free services to community members, including educational activities directed at patients, health screenings, and support groups. IMMC sponsors a two year radiography program. Through affiliations support internships and other training in a variety of health-related fields.

16. Please describe any fund-raising activities conducted by your hospital in an attempt to supplement fees for services and other revenues. Specifically, provide for the last three years the amount of charitable donations received by your hospital

Advocate, through Advocate Charitable Foundation, received almost \$20 million in fund-raising revenues in 2004. Those gifts provided support for many programs across the system as well as funds for about 10% of capital expenditures.

Does your organization ever conduct fund-raising activities which commit the donations raised by the activity to be used to provide medical care to low-income or uninsured individuals or families

Appeals for general charity care and programs for low-income patients or the uninsured are made to employees, through fund-raising events dedicated to such programs, annual mail appeals, and opportunities for Internet gifts. From 2002-2004, Advocate received and spent over \$2.1 million in gifts for charity care and charity care programs.

17. In general, does partnering with for-profits in a joint venture arrangement have implications on the provision of charity care and the satisfaction of the community benefit standard by the joint venture or by the overall hospital system that participates in the joint venture

Advocate's tax-exempt affiliates have not partnered with for-profits in joint venture arrangements. In the absence of direct experience with such arrangements, Advocate cannot answer the question without speculating.

18. Do your compensation arrangements with physicians and other professionals in any way encourage or discourage the provision of charity care by your hospital or hospital system? If so, how?

Advocate's arrangements encourage the provision of charity care by requiring adherence to our policies and procedures and medical staff bylaws, which includes its charity care policy. In some instances, we have specifically incorporated our charity care policies into our agreements with physicians. We are not in a position to control the charitable practices undertaken by independent parties. However, the practices of such independent third parties do not reduce the amount of charity care provided our hospitals.

<p>19. Please provide a breakdown of your charity care expenditures, across emergency room services, urgent care services, intensive care services, rehabilitation, maternity care, mental health care, cosmetic surgery, chemical dependency and outreach, and any other categories you consider to be appropriate.</p>
<p>Advocate does not track charity care expenditures based upon "service line."</p>
<p>20. What kinds of community outreach and education activities does your hospital conduct, and how much is expended on such activities (in absolute dollars and as a percent of your budget)?</p>
<p>The Illinois Community Benefits Act defines community benefits activities in ten categories (e.g., language assistance services, donations, volunteer services, education, and subsidized health services). The reported cost of the community health outreach programs and activities is \$61,967,000. This represents 2.4% of 2004 total operating expenses. The cost of community benefits including charity care, bad debts and unreimbursed government sponsored programs totaled \$245,583,000, approximately 3 times greater than 2004 net operating income. This figure represents 9.6% of total 2004 operating expenses - less bad debt expense.</p>
<p>21. Please explain how the amount of charity care you provide differs in magnitude and kind for that provided by your for-profit competitors.</p>
<p>Advocate does not track charity care offered by for-profit hospitals, ambulatory surgical facilities, physicians, urgent care centers, and other such entities. Anecdotally, we understand that our charity care policy is among the most generous in the nation among not-for-profit health care systems.</p>
<p>22. How much does your hospital spend on free or below-cost infant and child care programs, such as childhood immunization programs?</p>
<p>It is nearly impossible to determine the exact dollar amount spent on individuals under the age of 18. Many of our programs are focused on the community as a whole, such as our asthma outreach program, and dollars spent are not tracked separately for adults and children. However, several programs are focused solely on infants and children (e.g., Baby Advocate - a system-wide vaccination and developmental reminders program helped 36,000 families, Healthy Steps program - engages parents as partners with doctors in their child's health served 29,000 individuals). Advocate sites also contributed to children's health through free or minimal cost health fairs, immunization programs, asthma education outreach, car seat check-up programs, poison control education, and other programs that touched thousands of children's lives.</p>
<p>23. Does your organization conduct clinical trial programs, and if so, how does your organization treat such programs for purposes of determining charity care?</p>
<p>Advocate Health Care conducts clinical trails. Advocate does not attribute to charity care any losses related to clinical trails.</p>
<p>24. How do you allocate expenses (direct labor and materials, indirect labor and materials, management, general and administrative, fund-raising, investment, and other) for purposes of determining the amounts you consider to have been expended on your charity care programs? Does this allocation include costs incurred pursuant to a cost-sharing arrangement with other members of your hospital system group? Is this allocation mechanism dictated by internal policy, Federal or State regulatory requirements, financial accounting principles, or other standards?</p>

<p>Costs of charity care, bad debt and government sponsored programs for our hospitals and home care agency are calculated utilizing a Medicare cost to charge ratio. The cost to charge ratio is utilized because that is the methodology established under Illinois' Community Benefit Act. Expenses for non-cost-reporting entities are determined utilizing a ratio of financial statement expenses, excluding bad debt expense, to gross charges.</p>
<p>Is your allocation of expenses to charity care consistent with expense allocation procedures you use to allocate expenses for other purposes, regulatory or otherwise? Please explain any similarities and differences</p>
<p>With respect to Advocate's allocation of expenses to charity care and other community benefits, costs are determined utilizing our decision support cost accounting system, not our Medicare cost reports. A similarity between these methodologies is that financial statement costs are the starting point for computing costs. A distinctive feature of Medicare's methodology is that it excludes certain costs and expenses from its definition of allowable costs. The methodologies may also differ in the basis they use for allocating costs to cost centers and patients.</p>
<p>25. Please provide a statistical breakdown of the hospital's average cost per patient and the average length of stay of your patients. Feel free to provide as much detail as you consider to be appropriate to demonstrate the range of costs and stays across different types of treatment.</p>
<p>Acute Care Length of Stay - 2003 4.58 average (range 3.57-5.41). 2004 4.53 average (range 3.55-5.36). Cost per Adjusted Discharge - 2003 \$6,214 average (range \$5,212-\$7,977). 2004 \$6,812 average (range \$5,879-\$8,094).</p>
<p>Payments/Charges/Debt Collection/Tax-Exempt Status and Other Issues</p>
<p>Part 3</p>
<p>1. Please explain what is the average mark-up of charges over costs.</p>
<p>see Tab 1</p>
<p>What is the average private pay contractual allowance (charges to payments) weighted by payer</p>
<p>In this case, the use of the term "average" oversimplifies the determination of contractual allowances, since some payments are based upon a per diem or capitated rate. Moreover, negotiated discounts often contain a "prompt payment" clause that provides that a payor is responsible for full (non-discounted) charges if payment is not made within a specified time period (typically 30 to 60 days). System-wide, the average discount negotiated with major managed care payors is a discount of 40% to 60% off billed hospital charges. Advocate also provides services to patients insured by non-contracted managed care payors or other payors that are included within the "private pay" designation. These payors do not receive the average discount.</p>
<p>2. Please explain the reason for charging "chargemaster" rates to uninsured individuals particularly in light of the Secretary of Health and Human Services' letter of February 19, 2004 to the President of the American Hospital Association and also in light of your not-for-profit and tax-exempt status</p>

Advocate continues to use a chargemaster because, until December, 2004, Medicare appeared to require billing uninsured patients at the rates set forth therein. The Secretary's letter did not resolve several issues regarding use of the chargemaster, including its relationship to outlier reimbursement. Moreover, many managed care contracts are established at a rate equal to a discount off the chargemaster rate.

3. Please explain how fairness or reasonableness of charges to the uninsured can be assured even in instances where you offer discounts where those discounts are discounts from the already high chargemaster rate? What is your discount policy

Medical care is provided without charge for patients earning up to 200% of the federal poverty level, and those earning between 200%-400% of the federal poverty level receive significant discounts. These latter, discounted charges are capped, so that those earning from 200-300% of federal poverty level pay no more than 5% of their income, and those earning 300-400% of federal poverty level pay no more than 10%. In 2004, Advocate approved 99% of the charity assistance applications. For uninsured patients who received charity assistance in 2004, charity care discounts were, on average 95% of charges. Patients with a remaining balance after the charity care discount is applied are provided interest-free payment plans on an as-needed basis. It is also important to note that we instruct our hospitals to consider extenuating circumstances whenever appropriate. Bills can be adjusted even beyond what the policy would indicate if individual circumstances so warrant.

What is the collection rate for self-pay?

Advocate's system-wide collection rate for the uninsured is 3.3% of charges.

4. If government programs pay for hospital services for its enrollees without regard to the chargemaster rate and commercial insurance carriers throughout the country likewise pay not based on the chargemaster rate, please explain why the uninsured continue to be charged the chargemaster rate

All payors are charged at the chargemaster rate. These charges are adjusted via contractual allowances where there are agreements with payors to do so, or in the case of uninsured patients, through application of Advocate's charity care policy. Also, it is inaccurate to say that commercial insurance carriers do not pay based on the chargemaster rate, as many of the discounts are based on that rate, and carriers who do not prompt-pay are required to pay the chargemaster rate. In addition, commercial liability insurers typically pay chargemaster rates for medical bills that are included in tort judgments or settlements.

5. Please explain what is the economic benefit to your hospital of charging uninsureds the high chargemaster rate when uninsured people generally have less of an ability to pay hospital charges and do in fact generally pay only a fraction of what has been charged? Does this benefit justify your action particularly in light of your not-for-profit tax-exempt status

There is little or no economic benefit to Advocate from charging the chargemaster rates to the uninsured. See answers to questions 2-4 for further response.

6. The Committee has heard statements from individuals that have gone to many not-for-profit, tax-exempt hospitals in the very recent past and have seen no evidence of the fact that they make their tax-exempt and charitable missions known to patients via signs in patient access areas, brochures, booklets and the like. Please comment on what your hospital does to provide such visible information on the subject

Patients at Advocate: Multi-lingual signage is posted throughout our hospitals. The signs include a statement that financial counseling, including charity assistance, is available. A hospital financial counselor's telephone number is provided. Hand-out cards are distributed to uninsured patients. Once an uninsured patient leaves the hospital: A minimum of seven attempts by phone or by mail are made over a period of 120 days to contact the patient with an offer of financial counseling and to educate them on the availability of charity care. Patient bills sent to uninsured patients include a statement in English and Spanish that Advocate is able to help the patient apply for a government-sponsored insurance program or charity care. Advocate's collection agencies are required to refer cases back to the hospital if they determine that a patient may be eligible for a gvt-sponsored program or charity care. A patient web site is being developed. Other information is provided to patients through newsletters, annual report, magazine articles, web site, etc.

7. Please identify what steps your hospital has taken to insure that lower level staff, who are actually the front-line staff, are aware of your not-for-profit status and charitable mission and have been instructed to implement the same in their treatment of uninsured patients. Please produce any documents conveying such information to your staff

Continuous process. It begins in the recruitment and hiring process, continues through new employee orientation, and is reinforced in multiple ways from day to day. Beginning in Nov. 2003 and continuing in 2004, instructor-led training was conducted for front line employees throughout the Advocate system. The program is available for new employees and through a computer-based training module on the Intranet. Additionally, Advocate's internal news letters and Intranet regularly carry articles about our charity care program. Our financial counselors receive extensive training on our policies and procedures and how to assist patients throughout the process of applying for both government-sponsored programs like Medicaid and Advocate's charity care program. Additionally, we are continually working to make the application process easier and more efficient for patients (e.g., development of financial counseling software).

8. If your hospital believes that Medicare rules created roadblocks to providing discounts to the uninsured, as is evidenced by the President of the American Hospital Association's (AHA) December 2003 letter to the Department of Health and Human Services, why did your hospital, or your hospital through the AHA not raise the same with the Department at an earlier date? In considering this question it is noteworthy that in December of 2002, Trevor Fetter, the CEO of Tenet Healthcare, stated in an investor conference call "I would like to turn to an issue that has bothered me for years. I mentioned earlier that Medicare requires hospitals to set charges the same for everyone. This means that the uninsured or underinsured patient receives a bill of gross charges. In other words, the entire hospital industry renders its highest bills to the customers who are least able or likely to pay.

Advocate did raise concerns about Medicare rules "at an earlier date" through correspondence with Secretary Thompson. In any event, Advocate has always provided discounts to uninsured patients with demonstrated financial need. Beginning in fall of 2002, we examined our charity care program and determined that, we as a leading non-profit, faith-based health system should expand the eligibility criteria for our charity care program. In April 2003, prior to AHA's letter to DHHS, we raised the upper income limit for our charity care program to 400% of the federal poverty level.

In addition, please state whether your organization ever grossed up their charges on the Medicare cost report because they had a lower OPD fee schedule

Advocate has not grossed up charges on our Medicare cost reports because of a lower OPD fee schedule.

Please state your views on whether it is allowable or acceptable for hospitals to lower their charges for the insured and not the uninsured

Advocate's charity care policy effectively means that charges for the uninsured are reduced. We think this is the right thing to do.

9. It has been suggested that one of the reasons that a hospital may have maintained these high chargemaster rates is that it allows the hospital to obtain more in the way of Medicare outlier payments thus further costing the government additional money for the care of the uninsured. Please explain why your hospital, as a tax-exempt not-for-profit hospital, feels that this is appropriate or inappropriate. What was the growth rate in your Medicare outlier payments from 1998 to 2002

In the aggregate, Advocate's outlier payments fell by 37.6% from 1998 through 2002. Advocate has no comment on the appropriateness of alleged practices of other hospitals.

10. Secretary Thompson, in his letter mentioned above, noted that "Medicare and Medicaid have a long history of doing their part to help the uninsured that includes paying hospitals \$22 billion each year through the disproportionate share hospitals' provision to help hospitals bear the cost of caring for the poor and uninsured." In light of the fact that you are a tax-exempt not-for-profit hospital, please comment on whether or not you believe it is appropriate for your hospital to receive such aid from the government

We believe it is both appropriate and necessary for not-for-profit hospitals to receive this aid. Even with the \$22 billion in payments referenced in the question, Medicare and Medicaid do not fully cover hospitals' costs of caring for their respective beneficiaries. These payments, in addition to monies saved due to tax exemption, make it possible for not-profit hospitals to care for the uninsured and beneficiaries of public programs.

Please list your payments under disproportionate share for the past three years as compared to uncompensated care, separating out bad debt

see Tab 25. For 2004, Advocate received \$28,203,000 in disproportionate share payments, while providing \$184,532,000 in uncompensated care without bad debt. 2002 and 2003 not available since first year of new Illinois methodology. Add the amount of bad debt

11. Do you agree that the chargemaster method of charging uninsureds should be discontinued? In answering, I would ask that you consider the statement of Mr. Jack Bovender, the Chairman and CEO of Hospitals Corporation of America, one of the largest for-profit hospitals in the country. Mr. Bovender has stated, "the chargemaster system on which hospitals rely to set pricing and billing codes have a 40 year history of changes that have distorted the relationship between price and cost. It grew out of a time when decreasing Medicare reimbursement prompted cost shifting to the private sector and this was exacerbated in the 90's by aggressive managed care discounting. I am not here to try to justify this and it really needs to be fixed.

While Mr. Bovender's point is well taken, it does tend to attribute the responsibility for this state of affairs to the provider institutions. To the extent that the systemic factors he mentions encourage this kind of practice in the first place, changing those factors could make it easier for providers to change their practices.

12. At the hearing of the Oversight Investigation Subcommittee of the House Energy and Commerce Committee on hospital billing dated June 24, 2004, Mr. Bovender stated that he "was told by both inside and outside legal counsel . . . [in late 2002] that we had to get clearance [for discounting to the uninsured] through CMS." Please identify whether your hospital has received such legal advice and if so, please provide any written documentation of that advice

Advice from legal counsel is privileged and confidential, and providing that advice in response to this request could mean that legal advice on the subject of charges, billing, and collection is no longer privileged. It would be inappropriate for Advocate to waive attorney-client privilege in response to this question.

<p>13. Please provide all documents related to your hospital's consideration of medical charges for billing practices, charity or indigent care, discounts or write-offs to uninsured patients</p>
<p>see response to question 14</p>
<p>14. Please provide all documents relating to your charity care policy, community benefit reports, community benefit assessment, community benefit strategy and/or charity care audits for the time period of January 1, 1998 through the present. In providing the same, please identify specifically where those documents consider your hospital's treatment of the uninsured</p>
<p>Charity Care Policy Documents - Tab 31. Community Benefits Reports - Tabs 2-5. Community Benefit Strategy - Tabs 11 and 12.</p>
<p>15. Please provide any community needs assessment done by you or on your behalf during the time period of January 1, 1998 through the present. In providing the same, please identify specifically where your hospital considered its treatment of the uninsured in its community needs assessment</p>
<p>see response to question 14</p>
<p>16. Please identify how many lawsuits you have filed against uninsured patients for the current year and the preceding five calendar years and please identify whether or not you are compelled by law to file such lawsuits in order to collect from these individuals</p>
<p>Advocate is not compelled by law to file lawsuits, but to satisfy Medicare requirements for bad debt reimbursement, we are required to engage in reasonable collection efforts and to treat Medicare and non-Medicare patients (including uninsured patients) alike. In some circumstances, a lawsuit is a reasonable collection effort.</p>
<p>Please identify the amount of debt that was at issue in each suit</p>
<p>Through May 2005, Advocate has not filed any suits against uninsured patients. In 2004, 68 lawsuits (\$331,064) were filed against the uninsured, representing 0.13% of uninsured patient encounters (51,194). In 2003, Advocate filed 273 lawsuits (\$1,473,969) against the uninsured, which represent 0.53% of uninsured patient encounters (51,856). In 2002, Advocate filed 362 lawsuits (\$1,917,997) against the uninsured. In 2001, Advocate filed 413 lawsuits (\$2,637,582) against the uninsured. In 2000, Advocate filed 213 lawsuits (\$1,209,631) against uninsured.</p>
<p>Please identify any times you have sold debt owed to the hospital from uninsured patients to other companies for collection</p>
<p>Advocate has not sold debt owed to the hospital by any patients to another company for collection.</p>
<p>Please state the amount the debt(s) was sold for, and the terms under which such private collection accounts were sold. In particular, please estimate the volume and value of accounts sold to private companies in the past five years, and whether those sales were made after your hospital rigorously pursued the patient on its own, and whether or not the hospital also claimed those same accounts for purposes of collecting the 70% bad debt payments made available to hospitals that despite best efforts, fail to recover aged patient</p>

accounts
N/A
Please explain how the sale of private accounts for recovery, and an concomitant claim to Medicare for payments on the same debts, is not “double dipping.”
N/A
Please provide copies of your contracts, if any, with collection agencies
Contract see Tab 33 along with a listing of current collection firms.
Please identify whether this collection agency is a for-profit or nonprofit subsidiary of your organization
None of these firms is a for-profit or nonprofit subsidiary of Advocate.
Please discuss any financial relationship with a bank or credit card company that patients use to help finance their debt
Advocate does not have a relationship with a bank or credit card company that patients use to help finance debt.
Please explain if you differentiate between Medicare and Non Medicare patients in regard to debt
Advocate identifies patients as Medicare eligible to its collection firms (Medicare Financial Class), but collection policies and procedures are the same for Medicare and non-Medicare patients.
If you sell debt, what is your policy on when that debt is sold, particularly in terms of the age of the debt
Advocate has not sold debt owed to any hospital by any patients to another company for collection.

17. Please identify any money or investments that your hospital or related organization (including supporting organization or private foundation) has in off-shore bank. Identify the amount in these accounts. Please explain why your organization has taken this action

Due to a negative/challenging malpractice insurance marketplace in the domestic US, due to prohibitive costs, Advocate has been forced to self-insure, and to obtain an additional off-shore reinsurance arrangement as an alternative. Advocate operates an Insurance Captive known as Advocate Insurance Segregated Portfolio Company (AISPC). It possesses an unrestricted Class B license issued by the Cayman Monetary Authority located in Grand Cayman, Cayman Islands, BWI. As of December 31, 2004, Advocate's investments in the AISPC - Core were \$2,101,115. Advocate also maintains segregated cells for two physician groups. Both cells were funded with \$100,000. Advocate anticipates these amount will rise because we have begun self-insuring our three physician groups.

18. Please provide an organization chart including Type I and Type II supporting organizations. The chart should identify ownership interest and the type of organization (nonprofit, for profit, partnership, etc.)

see Tab 34

19. Some hospitals have taken the position that the provision of health care, no matter the cost to the patient, is inherently charitable. Do you agree that the provision of health care to uninsureds is charitable even if there is a high charge associated with it? If so, please explain

Advocate has not taken that position on this issue. The provision of healthcare for a charge is a community benefit recognized in IRS rulings since 1969, and may qualify a hospital for recognition of tax exempt status if the hospital also provides certain other community benefits, such as maintaining an emergency room available to all patients regardless of ability to pay and accepting Medicare and Medicaid patients.

20. Some hospitals have stated that all patients, insured and uninsured alike, are charged the same amount for services. It seems that this is a response based on semantics as it is my understanding that all insureds and government payors ultimately are expected to pay less than the chargemaster rate while uninsured patients are expected to pay the full amount. Please respond and in your response identify the net effective discount to all patient groups based on contractual or other allowances with those groups and identify the discount offered to uninsured patients as well

Net effective discount, on a system-wide basis, varies from 96.7% for uninsured patients to 34.9% for some payors.

Please explain what your policies are for providing elective procedures, ex. breast biopsies, mammograms, colonoscopies, physicals, etc. to the uninsured

Consideration for elective services is subject to each hospital's budget constraints and is weighed against charity care needs for non elective procedures. Part of each site charity care committee's charge is to assess and/or develop a list of approved "alternative" providers for elective procedures. As part of this process, Advocate either provided elective procedures or recommended alternative providers.

21. Please provide for the last three years a detailed breakdown of travel of your five top salaried employees: for trips over \$1000 please provide receipts for hotel; meals; airfare and all other reimbursed items as well as the purpose of the trip

Book III

Please provide all salaries and other benefits provided to these five individuals for the last three years from any organization identified in question B18

Tab 35. and Tab 36.

Finally, please detail any payments or reimbursements made to employees for country clubs

We do not reimburse for country club dues; however, in an extremely limited number of circumstances, Advocate reimburses a small number of executives for private club dues. These reimbursements total less than \$400 a month. The executives use these memberships for meetings and other business purposes.