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Health

# 'UVA has ruined us': Health system sues thousands of patients, seizing paychecks and putting liens on homes

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Heather Waldron and John Hawley are losing their four-bedroom house in the hills above Blacksburg, Va. A teenage daughter, one of their five children, sold her clothes for spending money. They worried about paying the electric bill. Financial disaster, they say, contributed to their divorce, finalized in April.

Their money problems began when the University of Virginia Health System pursued the couple with a lawsuit and a lien on their home to recoup \$164,000 in charges for Waldron's emergency surgery in 2017.

The family has lots of company: Over six years ending in June 2018, the health system and its doctors sued former patients more than 36,000 times for over \$106 million, seizing wages and bank accounts, putting liens on property and homes and forcing families into bankruptcy, a Kaiser Health News analysis has found.

Unpaid medical bills are a leading cause of personal debt and bankruptcy, with hospitals from [Memphis](#) to [Baltimore](#) criticized for their role in pushing families over the financial edge. But UVA stands out for the scope of its collection efforts and how persistently it goes after payment, pursuing poor as well as middle-class patients for almost all they're worth, according to court records, hospital documents and interviews with hospital officials and dozens of patients.

UVA sued patients for as little as \$13.91 and as much as \$1 million during most of that period, until July 2017, when it restricted lawsuits to those owing more than \$1,000, the analysis shows.

Every year, the health system sued about 100 of its own employees who also happened to be patients. It garnished thousands of paychecks, largely from workers at lower-pay employers such as Walmart, where UVA took wages more than 800 times.

Under a Virginia program designed to help state and local governments collect debt, it also seized \$22 million in state tax refunds to patients with outstanding medical bills in the last six fiscal years — most of it without court judgments, said health system spokesman Eric Swensen.

Over many years, it filed thousands of property liens from Albemarle County all the way to Georgia.

Beyond its recovery of debts, UVA dunned some former patients an additional 15 percent for legal costs, plus 6 percent interest on their unpaid bills, which over the course of years can add up to more than the original bill.

The health system also has the most restrictive eligibility guidelines for financial assistance to patients of any major hospital system in Virginia, interviews and written policies show. Savings of only \$4,000 in a retirement account can disqualify a family from aid, even if its income is barely above poverty level.

The hospital [ranked No. 1 in Virginia](#) by U.S. News & World Report is taxpayer supported and state-funded, not a company with profit motives and shareholder demands. Like other nonprofit hospitals, it pays no federal, state or local taxes on the presumption it offers charity care and other community benefits valued at least as much as those breaks. Gov. Ralph Northam (D), a pediatric neurologist, oversees its board.

UVA officials [defended the institution's practices as legally required and necessary](#) “to generate positive operating income” to invest in medical education, new facilities, research and the latest technology.

They point to the [Virginia Debt Collection Act of 1988](#), which requires state agencies to “aggressively collect” money owed.

During the six-year period studied, UVA had an estimated six million visits and cared for those patients “regardless of their ability to pay,” said Swensen, the health system spokesman.

“For the vast majority of patients, we are able to agree upon workable payment plans without filing a legal claim,” he said. Suing patients or using collection agencies are “a last resort,” he added.

Before patients got court summons, they would have received “four to five” bills over several months, along with instructions about how to apply for financial assistance, Swensen said.

During the most recent fiscal year, which ended in June, he said, UVA approved almost 10,000 applications for assistance under charity care guidelines set by the state. Most of those patients paid nothing beyond a \$6 co-pay.

In addition, UVA is undertaking “a comprehensive review” of its charity care rules and “considering policies to provide additional financial assistance to low-income patients,” he said.

Swensen declined to discuss the circumstances of individual patients, saying the hospital was bound by patient confidentiality. UVA Health CEO Pamela Sutton-Wallace declined an interview request. A spokeswoman for Northam did not respond to repeated requests for comment.

Though there is no national data on hospital debt collection, UVA’s pursuit of patients goes beyond that of a number of other institutions.

Johns Hopkins Hospital in Baltimore has sued roughly 240 patients a year on average since 2009, according to [a May report in the Baltimore Sun](#). UVA, by comparison, often sues that many former patients in a week, and averages more than 6,000 cases a year, court data show.

Private, nonprofit Yale New Haven Health System files liens only if a bill is over \$10,000, and then only if the property is worth at least \$300,000, a spokesman said. Falls-Church, Va.-based Inova Health says it does not file liens on patient homes or garnish wages.

Tenet Healthcare, a national, for-profit chain whose stock trades on Wall Street, says it does not sue uninsured patients who are unemployed or who lack significant assets other than their house.

Industry standards are few and vague. The American Hospital Association says its members follow Internal Revenue Service guidelines, which merely require hospitals to have a financial assistance policy and to make “reasonable efforts” to determine whether a patient qualifies for help before initiating collections.

Patients find themselves unable to pay UVA bills for many reasons: They are uninsured or sometimes have short-term coverage that does not pay for treatment of preexisting illnesses. Or they are out of network, or have a “high-deductible” plan — increasingly common coverage nationwide that can require patients to pay more than \$6,000 before insurance kicks in. Virginia’s Medicaid expansion, which took effect this year, covers families with low incomes but is still projected to leave hundreds of thousands uninsured.

Patients also have trouble because like many U.S. hospitals, UVA bills people lacking coverage at rates far higher than what insurance companies pay on behalf of their members. Such bills often have little connection to the cost of care, experts say. Insurers obtain huge discounts off hospital sticker prices — 70 percent on average in UVA’s case, according to documents it files with Medicare.

UVA offers uninsured patients 20 percent off to start and another 15 to 20 percent if they pay promptly, Swensen said. Few are able to do that. Patients are subject to collections and lawsuits if they do not pay, or arrange to do so, within four months, he said.

The \$164,000 billed to Waldron for intestinal surgery was more than twice what a commercial insurer would have paid for her care, according to benefits firm WellRhythms, which analyzed bills for Kaiser Health News using cost reports UVA files with the government. Charges on her bill included \$2,000 for a \$20 feeding tube.

UVA would not disclose basic information about patient lawsuits, liens and garnishments. Reporters reconstructed the hospital's practices by talking directly with patients, analyzing court documents and hospital bills and observing the legal process in court. They gathered records in Charlottesville to supplement a courts database compiled by nonprofit Code for Hampton Roads, which works to improve government technology.

The picture that emerges is one of little accountability for UVA — or of redress for its patients.

Waldron, 38, an insurance agent and former nurse, appreciates the treatment she received for an intestinal malformation that almost killed her. But, she says, "UVA has ruined us."

## 'Here for a hospital case?'

District Court Judge William Barkley doesn't announce the UVA cases as he takes the bench each Thursday in the historic brick courthouse in Charlottesville. At one hearing in March, he waves a thick stack of litigation at defendants, asking, "Is anybody here for a hospital case?"

A recent [NPR report](#) noted that nonprofit Mary Washington Healthcare, in Fredericksburg, Va., had 300 cases in court in one month. (The hospital said it was suspending such patient suits after that report.) Barkley's court often handles 300 UVA suits in a week, court data show.

The health system sends collections representatives, not lawyers, who sit near the judge's bench. They give patients two weeks to commit to an interest-free payment plan, according to courtroom meetings witnessed by a reporter. Otherwise, "we're already going to be reviewing it for garnishment," a UVA official tells a car accident victim. With bills often in the tens of thousands of dollars, even the five-year, interest-free plans are unaffordable, patients said.

Swensen said those deadlines are imposed at least 150 to 200 days after they were sent their first bills.

Zann Nelson, sued by UVA for \$23,849 a few years ago, is a rare patient who fought back. The now 70-year-old Reva resident was admitted with newly diagnosed uterine cancer, bleeding and in pain when she signed an open-ended payment agreement. In court, she argued it was so vague as to be unenforceable.

She lost. The judge, according to court records, said that Nelson had "the ability to decline the surgery" if she didn't like the terms of the deal. She lived with a lien on her farm until she managed to pay off the debt.

## 'Can't afford to go back'

The medical center, the flagship of UVA Health System, earned \$554 million in profit over the six years ending June 2018, and holds stocks, bonds and other investments worth \$1 billion, [according to financial statements](#). CEO Sutton-Wallace makes \$750,000, with bonus incentives that could push her annual pay close to \$1 million, according to [a copy of her employment contract](#), obtained under public information law.

Yet UVA offers more limited financial assistance than any other major health system in Virginia, according to an analysis of policies at organizations including Inova, Sentara Healthcare, Riverside Health and Carilion Clinic.

To qualify for help, UVA patients must earn less than 200 percent of federal poverty guidelines and own less than about \$3,000 in assets, not counting a house, according to the hospital's website and guidelines UVA files with the state.

Carilion Clinic, by contrast, provides aid to families with income up to 400 percent of poverty guidelines and assets less than \$100,000 other than a house. If bills at Riverside Health exceed household income over 12 months, [the hospital forgives the whole amount](#).

The only other policy in Virginia similar to UVA's is that of VCU Health, a sister state hospital system with the same income and asset guidelines. In July, VCU said it started offering help to some patients with "catastrophic" and "prohibitively expensive" bills who don't otherwise qualify.

"We are considering those updates," Swensen said of VCU's changes.

UVA sued Carolyn Davis, 55, of Halifax County, for \$7,448 to pay for nerve injections to treat back pain that she hadn't realized would be out of network.

Her husband is a cook at Hardee's, taking home \$500 to \$600 a week, she said. UVA refused their application for financial assistance because his Hardee's 401(k) balance of \$6,000 makes them too well off, she said.

"We don't have that kind of money," Davis said. The hospital insisted on a monthly payment of \$75. She was meeting it by charging it to her credit card at 22 percent interest.

Charges for Davis's treatment were about twice as much as what a commercial insurer would have paid, according to an estimate by WellRithms.

Leigh Ann Beach, 37, of Palmyra experienced how differently hospitals treat those who cannot pay after hurting her ankle in a bike accident.

Sentara Martha Jefferson Hospital, which first treated her, canceled the entire \$4,650 bill based on her family's income and the need to support her seven children, her paperwork shows. UVA, where she got surgery and metal implants, sued her for \$9,505 and rejected her request for financial help.

A UVA representative said she could sell some acreage from her small rural home to pay the bill, she said. She limps and is in pain, but "I can't afford to go back," she said.

## **Resorting to bankruptcy**

When Jesse Lynn, 42, of Orange County, bought short-term coverage to tide him over between policies, he and his wife, Renee, didn't realize the plan considered Jesse's old back problems a preexisting illness, and therefore would not pay for treatment.

After back surgery at Culpeper Medical Center, a UVA affiliate, he came out with a bill for about \$230,000, Renee Lynn said.

The surgeon reduced his portion of the charges — from \$32,000 to \$4,500, which they thought was reasonable. They asked for a similar break or a payment delay from UVA. "We are not a lending institution," the billing office told her, she said.

The Lynns decided bankruptcy was their only option.

"I probably see at least a couple a month," said Marshall Slayton, a Charlottesville bankruptcy lawyer, holding up a new file. "This is the third case this week."

UVA says it doesn't foreclose on primary residences. But often a UVA lawsuit leads to home loss because patients' credit is downgraded and they cannot keep up with hospital payment plans and mortgages.

Property liens do give UVA a claim on the equity in patients' homes.

"We see a lot of them," said Tina Merritt, a partner with True North Title in Blacksburg. "And a lot of people don't even know until they go to sell the property."

It took Priti Chati, 62, of Roanoke six years to pay a \$44,000 UVA bill for brain surgery and have a home lien removed last year, court records show. The health system seized bank funds intended for her daughters' college costs, she said. She sold jewelry and borrowed from friends, eventually paying more than \$70,000 including interest, she said.

Paul Baker, 41, of Madison County, ran a small lawn service and with his wife, owes more than \$500,000 for treatment after their truck rolled over. He is grateful to UVA "for saving my life,"

he says. But he is “frustrated they are ultimately taking my farm” when he sells or dies, as a result of UVA’s lawsuit.

## Indigent care

Swensen said the medical center gave \$322 million in financial assistance and charity care in fiscal 2018. But legal and finance experts say that’s not a reliable estimate.

The \$322 million “merely indicates the amount they would have charged arbitrarily” before negotiated insurer discounts, said Ge Bai, an accounting and health policy professor at the Johns Hopkins Carey Business School.

The figure is “based on customary reporting standards used by hospitals across the U.S.,” Swensen said.

Insurers would have paid UVA only \$88 million for that care, according to [an accounting of unpaid bills](#) presented last year to the UVA Health board. Even that unpaid figure didn’t come out of UVA’s purse since federal and state governments provided “funding earmarked to cover indigent care” for almost all of it — \$83.7 million, according to Bai.

The real, “unfunded” cost of UVA’s indigent care: \$4.3 million, or 1.3 percent of what it claims, according to the document.

“That’s nothing,” given how much money UVA makes, Bai said. “Nonprofit hospitals advance their charitable mission primarily through providing indigent care.”

The hospital recorded another \$109 million in uncollectible debts not considered indigent care, the document shows.

Nacy Sexton, who is in his 30s and lives outside Richmond, hoped he might get a break on his medical bills as a student enrolled at the University of Virginia. He was close to finishing a bachelor’s degree in 2015 when he was hospitalized for lupus. When he was unable to cover the reduced bill offered by the hospital, the university blocked his enrollment, [a notice he received from student financial services](#) shows.

“The university places enrollment holds on student accounts for many reasons, including unpaid tuition and medical bills,” said university spokesman Wesley Hester. This semester, the university has “active holds” on 20 students because of unpaid health system bills, which might or might not block their attendance, depending on when the hold was placed, he said.



Sexton still has about \$4,000 to go on a bill that he said was more than \$30,000 before UVA's discount, a fundraising campaign and other payments. He hopes to re-enroll and finish his degree in education next year.

"When you get sick, why should it affect your education?" he asked.

Shirley Perry, once a registered nurse at UVA, became chronically ill, lost her job and insurance, and then needed treatment from her former employer. UVA sued her for \$218,730 plus \$32,809 in legal fees. She died last year at age 51, with a UVA lien on her townhouse. It was auctioned off on Aug. 7 at the Albemarle County Courthouse.

## Waldron's 'devastation'

For Heather Waldron, the path from "having everything and being able to buy things and feeling pretty good" to "devastation" began when she learned after her UVA hospitalization that a computer error involving a policy bought on HealthCare.gov had led her insurance to lapse.

She is now on food stamps and talking to bankruptcy lawyers. A bank began foreclosure proceedings in August on the Blacksburg house she shared with her family. The home will be sold to pay off the mortgage. She expects UVA to take whatever is left.

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