

United States Senate

WASHINGTON, DC 20510

ONE CONSTITUTION PLAZA
7TH FLOOR
HARTFORD, CT 06103
(860) 549-8463

<http://murphy.senate.gov>

July 27, 2015

Jeff Reece
North Okaloosa Medical Center
151 East Redstone Avenue
Crestview, FL 32539

Dear Mr. Reece:

I write today with serious concerns about an alarming new study that appeared in *Health Affairs* regarding the incredibly high markup that your hospital has been charging vulnerable patients, including the uninsured. Specifically, the study found that the average charge-to-cost ratio for the top 50 hospitals in 2012 was 10.1 times the Medicare-allowable cost. Put another way, these hospitals, including yours, inflated prices for some of the most vulnerable patients by more than one thousand percent above the price you get paid by Medicare. Given that uninsured patients are normally of low or no income, this practice seems particularly outrageous and immoral. I urge you to take steps to immediately correct this situation.

The study also raises important questions about the different pricing practices at investor-owned hospitals and non-profit hospitals. Of the top 50 hospitals with the highest charge-to-cost ratio, an astounding 49 were for-profit entities. Moreover, the study seems to point out potential pricing abuses within certain hospital systems. An astounding 78 percent of the top 50 hospitals were from two investor-owned operators – Community Health Services, which accounted for half of the top 50 hospitals, and Hospital Corporation of America, which had 14 hospitals in the top 50.

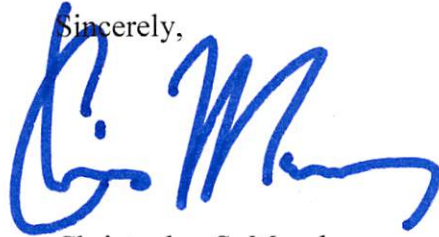
Proponents of for-profit health care often state that profit motivations do not factor into the quality or cost of care provided to patients. However, this study provides clear evidence to the contrary. In fact, it is merely the latest example of troubling research on differences between not-for-profit and for-profit hospitals. Earlier research showed that for-profit hospitals are more likely to offer financially profitable services and more responsive to rapid changes in profitability of services.

Additionally, the hospitals were concentrated in states with high rates of for-profit health care providers, such as Florida, which accounted for 40 percent of the hospitals examined. A study released by my office in 2014 found that the top 10 states dominated by for-profit hospitals spent approximately 3 percent more per enrollee than the top non-profit states.

I understand that the health care industry is changing as reimbursements shift towards value-based care instead of volume, but charging a one thousand percent markup to some of the most vulnerable patients defies logic. Simply put, how can your hospital justify charging rates so high when other hospitals offer charity care but have lower markups? Again, I urge you to

immediately rectify the situation by instituting reasonable charges for these patients. Thank you in advance for your consideration and I look forward to your response.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. S. Murphy', with a stylized flourish at the end.

Christopher S. Murphy
United States Senator

cc: Wayne T. Smith
Community Health Systems
4000 Meridian Boulevard
Franklin, TN 37067