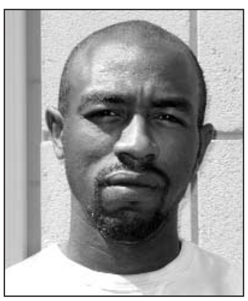
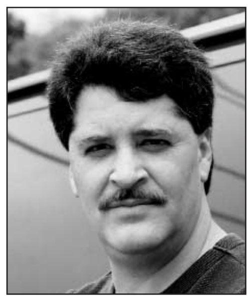
"YALE, DON'T LIEN ON ME"





The attack on homeownership by the Yale-New Haven Health System and Yale School of Medicine

Connecticut Center for a New Economy • September 2003

The Connecticut Center for a New Economy (CCNE) is a non-profit organization dedicated to improving the economic and social well-being of working families in Connecticut's urban centers by initiating and supporting efforts to raise wages of the working poor, improve public education and training, expand access to affordable healthcare and preserve affordable housing.

This report was researched and written for CCNE by Grace Rollins, research analyst for the New England Health Care Employees Union, District 1199/SEIU.

Previous CCNE research reports include:

- *Uncharitable Care: Yale-New Haven Hospital's charity care and collections practices;*
- *Coming to a Town Near You? Charity and collections at Bridgeport Hospital, member of Yale-New Haven Health;*
- *A Very Red Line: New Haven Savings Bank fails to serve Connecticut's low- and moderate-income families and communities of color.*

For these reports and more information about CCNE, visit www.ctneweconomy.org. For more information about CCNE's Hospital Debt Justice Project, email debtjustice@ctneweconomy.org.

Preface: Fighting for Charitable Care

As a follow-up to *Uncharitable Care: Yale-New Haven Hospital's charity care and collections practices* and to *Coming to a Town Near You? Charity and Collections at Bridgeport Hospital,* member of Yale-New Haven Health, this report, *Yale, Don't Lien on Me,* continues to explore the impact of the Yale academic medical center and affiliated hospitals on uninsured and underinsured patients.

The release of Uncharitable Care in March 2003 was followed by widespread media coverage (including exposés in *The Wall Street Journal*[1]) and local outrage. Community leaders held demonstrations to call on Yale-New Haven Hospital's board of directors for debt amnesty, an end to harsh collection practices, and open meetings with the community to establish reforms. Yale debtors also appealed to legislators for protections from unfair hospital billing practices. As a result, a bill was signed into law in July 2003 to, as of October 1, 2003, lower maximum judgment interest on hospital debt (previously 10%, now 5%), promote access to available charity resources, and curb aggressive tactics such as wage garnishments, bank executions and foreclosures.

In May 2003, just days after a town meeting in New Haven where hundreds of debtors and community members rallied to "Take Back Our Community Hospital," Yale-New Haven Hospital announced policy changes, including promises to "limit interest collection," exclude court costs from bills, review outstanding accounts, and stop foreclosing on homes.[2]

While these steps at reform are encouraging, there are still major shortcomings that the Yale-New Haven Health System (particularly system members Yale-New Haven Hospital and Bridgeport Hospital) and the Yale School of Medicine, a joint medical provider with Yale-New Haven, have yet to address. As of the writing of this report, thousands of families remain in debt to Yale-New Haven and the Medical School. Yale-New Haven has presented no transparent, rational plan involving community oversight to have unjust debts reviewed and cancelled. The debt cancellations that have taken place so far have been based on undisclosed criteria.[3] As for the changes the Hospital has pledged, there is no public timetable and no mechanism to ensure accountability. The Yale-New Haven board of trustees, led by Marvin Lender and Julia MacNamara, has stonewalled community demands for an open meeting to discuss reforms.

Furthermore, the Yale School of Medicine has not yet made any public commitment to review outstanding accounts or curb its aggressive debt collection practices, which have included lawsuits, exorbitant interest charges, wage garnishments, property liens and bank account seizures.

CCNE is dedicated to continuing a constructive critique of the charity policy of Yale-New Haven Hospital, Bridgeport Hospital and the Yale School of Medicine until *all* patients receive just and charitable treatment. This report focuses on one particularly harmful collection tactic that these institutions have not yet pledged to refrain from using: liens on homes.

INTRODUCTION

CCNE's previous reports, *Uncharitable Care* and *Coming to a Town Near You¿,* showed that Yale-New Haven Hospital and Bridgeport Hospital (members of the Yale-New Haven Health System[4]) resort to liens routinely and with far more frequency than peer institutions. These reports also showed that liens are a standard collection tactic not only of the Yale-New Haven Health System but of its joint medical provider and academic affiliate, the Yale School of Medicine. (In this report, Yale-New Haven Hospital, Bridgeport Hospital and the Yale School of Medicine are collectively referred to as the "Yale medical system.")

Yale, Don't Lien on Me further explores the impact of liens on families in the urban centers of New Haven and Bridgeport as well as the Greater New Haven Area, featuring profiles of numerous "liened" individuals of various backgrounds and geographic locations. These interviews and an additional analysis of real estate and demographic data also turned up several surprising findings:

- The Yale medical system uses liens routinely, rather than as a last resort, and for amounts in all disproportion to the devastating impact on debtors' credit records and mortgage financing;
- Yale-New Haven Hospital and Yale School of Medicine liens are not only pervasive in urban New Haven, but also in surrounding towns, particularly East Haven, West Haven and Hamden;
- During the past nine years, an estimated 4.2% of all owner-occupied homes in West Haven, 4.1% in East Haven and 7.5% in New Haven faced a new Yale medical lien;
- Although 21% of the New Haven population was counted as Latino in the 2000 Census, 30% of the New Haven property owners with new Yale-New Haven Hospital liens that year had recognizably Hispanic surnames, suggesting that Latinos may be disproportionately targeted by Yale medical liens.

Liens, although a *legal* method of financial coercion, are an attack on a broadly recognized keystone of neighborhood and family stability: homeownership. In addition, liens create myriad other detrimental affects for homeowners, including:

- Barriers to home sales;
- Complications with mortgage refinancing, leading to additional interest expense;
- Lasting damage to credit reports;
- Possible deferral of needed medical care.

The report presents these and other arguments to support the recommendation that non-profit health care and educational institutions such as Yale-New Haven Hospital, Bridgeport Hospital and the Yale School of Medicine should, as a policy, refrain from the use of liens.

Yale Medical Lien Victims

Pam Minicucci, North Haven

Pam Minicucci is a homeowner in North Haven who had insurance when she visited Yale-New Haven Hospital for an ultrasound last year. "I submitted all of my current information, insurance and address, but they still billed the wrong insurance and the wrong address. The first notification that I had an 'outstanding bill' of $500 was the first letter I received from the Yale lawyers that a lien was put on my house, a year later. It seemed a bit odd that the letter from the lawyers had my correct address on it! I tried to go through all the right channels. The lawyers were very rude to me. Nobody from Yale would talk to me. There were plenty of nights when I lost sleep over it. It was extreme. They're a community hospital, and they pull these kinds of tactics! They damaged our credit. And now I'm nervous because I'm pregnant again and have to go in for the same procedure. I shouldn't have to go through this when I'm insured."

Cielo Lizasuain, Jr., West Haven

Cielo Lizasuain, Jr. is a homeowner in West Haven and has worked as a cook at Yale University for sixteen years. He supports a family and his elderly father. In May 2003, Mr. Lizasuain refinanced his mortgage, only to find out after the paperwork was finalized that there was a $1,100 Bridgeport Hospital lien on his home. His father had received treatment for a stroke at Bridgeport several years ago, and without his knowledge, had been sued for the resulting bill. "I always try to take care of my father's bills and paperwork. I didn't know about this one. He had insurance, but he made a mistake when he wrote down his date of birth, so the insurance company refused the claim. I didn't know, so there was nothing I could do about it. Then Bridgeport Hospital put a lien on my home, since I have the same name. I tried to talk to them, but they don't care. Yale says it wants to promote homeownership, especially of Yale employees. But then behind our backs, it attacks us with liens."

Gloria Silvia, East Haven

Gloria Silvia had a Yale School of Medicine lien placed on her East Haven home in 1994 for a $7,000 balance she says was misbilled. "My husband and I were both full-time employees, and we gave them all of our insurance papers. It didn't make any sense." The lien stayed on for ten years, until July 2003, when the School of Medicine finally closed her account without explanation (and without telling her. She learned her judgment was satisfied when CCNE informed her in August. She had to call Yale's lawyers to ask how to get her lien removed.) "It impacts your credit record. You can't make a move because of the lien. I wouldn't apply for anything because it wouldn't go through. I couldn't even have a bank account, because every time they would drain out all I had. I'm retired, that's the only money I have to live on. How can Yale do this to people?"

Marilyn Myers, New Haven

Marilyn Myers is a homeowner in the Hill neighborhood of New Haven, adjacent to Yale-New Haven Hospital, where she works in the dietary department. Ms. Myers, a single mother, supports a 15 year old niece, Laquisha, and a 2 year old baby. The Hospital placed a lien on her home in 2001 for $400, for medical care Laquisha received while uninsured. "I've worked at Yale-New Haven for 18 years," she said. "Look at the damage they're doing to my credit record, over $400. The liens have got to stop. They're keeping our neighborhood and their own employees down, targeting hardworking people for trying to own a home."

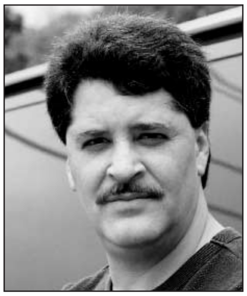
Vincent and Susan Ardito, Hamden

Vincent and Susan Ardito had a Yale School of Medicine lien placed on their Hamden home in 1995 after Mr. Ardito, a retired truck driver, was treated for a heart attack at Yale-New Haven Hospital while uninsured. They had received a free care grant to cover the Yale-New Haven portion of the bill, but not the $13,000 worth of Yale School of Medicine doctor charges. "We told Yale we wanted to work something out, and they said they would get back to us, but next thing I knew they put a lien on the house," said Ms. Ardito. "I never expected this, for them to just say, 'forget about it, let the lawyers collect.' They acted too fast." The Arditos made payments every month for nine years on the account, which was finally closed this year. "I had two kids getting married and I couldn't borrow a dime off the house," said Mr. Ardito. "Sometimes we had to take from Peter to pay Paul," said Ms. Ardito. "But who can you go to, what can you do? How could I do anything with this lien on my house? It went on and on."

Yvonne Hartsfield, New Haven

Yvonne Hartsfield became a homeowner in the Newhallville neighborhood of New Haven through the Habitat for Humanity program. "Yale student volunteers helped with the reconstruction of my home," she said. But after becoming disabled in a car crash in 1999, she lost her income and her health insurance, causing her Yale medical bills to mount. One week after total knee replacement surgery, "as I was flat on my back, recovering, I was delivered a notice from a marshal that Yale-New Haven Hospital was dragging me into court" over outstanding bills for earlier treatments. "By that point, Yale already had two liens on my home," one for $572 and one for $1,202. "I wanted to pay, but I couldn't. And this is the reason I don't go to Yale doctors or Yale-New Haven Hospital anymore. I'm afraid." In the summer of 2003, ostensibly during its debt-review process, Yale-New Haven cancelled the $572 lien, but the other lien remains. "They wanted me to go down to city hall myself and pay the $20 fee to remove the lien they cancelled, and I can't even afford that."

Ralph Padua, Woodbridge



Ralph Padua is a homeowner in Woodbridge who was turned down for Bridgeport Hospital free bed funds to cover his $22,000 heart attack treatment because of "savings and credit union accounts," even though his family barely had enough on hand to pay the monthly bills. His wife had been laid off, and his family business was struggling. Last year, the Hospital went to court and put a lien on the family's condo. Mr. Padua now must make payments of $434 per month, and Bridgeport Hospital's attorneys told him that "if I miss one payment, they'll take the house." His family is now bursting at the seams of their condo, but they can't move to a home with the space they need because of the lien. "I haven't been able to make them comfortable. I work hard and I ought to be able to."

Rev. Judith Lundberg, Southbury

Rev. Judith Lundberg is fighting to stay a Southbury homeowner by declaring bankruptcy in the face of $58,300 in hospital debt from Waterbury Hospital and another $81,500 from Yale-New Haven Hospital. She acquired the debt in 2000 for emergency treatments she was uninsurable for due to a previous medical condition. The hospital debt has "put what little financial health I have in a very precarious position," Rev. Lundberg said. "There has never been any consideration offered to me either by Yale or Waterbury. They have relentlessly pursued me. It doesn't make sense, the way these non-profit hospitals are so eager to strip away my few assets, my home and meager income and leave me impoverished."

Sean Flowers, New Haven

Sean Flowers lives in public housing in New Haven, and dreams of becoming a homeowner. But a Yale-New Haven Hospital debt is casting a shadow over that dream. Mr. Flowers was uninsured and unemployed when he went to Yale-New Haven's emergency room a couple of years ago, but he was never told about free care. Last year, Yale-New Haven sued him and won a judgment for $4,000. Now Mr. Flowers fears the worst even as he hopes for the best. "Sometimes I do yard work in Hamden, fixing up homes, painting. Some of the houses there are beautiful. I want to live somewhere beautiful like that, and somewhere safe for my kids. Living in public housing is hard. Folks here can't have future goals. But I want to live by a future goal. That's what I'm trying to do." Mr. Flowers is interviewing for a steady job in a factory, and is applying to Gateway Community College. He and his wife are also applying to purchase a home through an auction. "Things are looking up for me this year. But if it works out, and I get a home, Yale's going to slap on a lien and try to take that right from me."

Leocadio Nieves, East Haven

Leocadio Nieves is a homeowner on the East Haven-New Haven line, facing over $73,000 worth of liens from Yale Diagnostic Radiology (a department of the Yale School of Medicine) and Yale-New Haven Hospital for emergency treatment of a rare and life-threatening lung condition. When he went into the Hospital, "I let them videotape me so Yale medical students could learn about my condition. But now Yale-New Haven is threatening to take my home." After winning a judgment against him last year, Yale-New Haven "slapped a lien on as soon as I missed one $35 payment. You're going to put a lien on my home for $35? I'm barely making ends meet. I have a family to support. But Yale-New Haven never told me about their free care programs. I'll be paying for the rest of my life."

Angella Jackson, Bridgeport

Angella Jackson is a homeowner in Bridgeport who just refinanced her mortgage to fund the renovation and promotion of her struggling family restaurant. However, Bridgeport Hospital took a chunk of the proceeds to pay off a $7,000 lien on her home. The lien dated back to the emergency gall bladder surgery she received in 1996 while uninsured and unemployed. The Hospital didn't offer her financial assistance, targeting her home instead. "If help is there, why won't they give it to the people who need it? At that time, I needed help." Thanks to the Bridgeport Hospital lien, Mrs. Jackson is left with less money to save the restaurant and a higher mortgage payment. Even worse, just as she closed on the new mortgage, Bridgeport Hospital put a new $1,310 lien on the house for emergency asthma treatments she and her daughter, both chronic asthmatics, received in 2001. "They should do it another way," she said. "They shouldn't try to take your home."

Velma Williams, Hamden

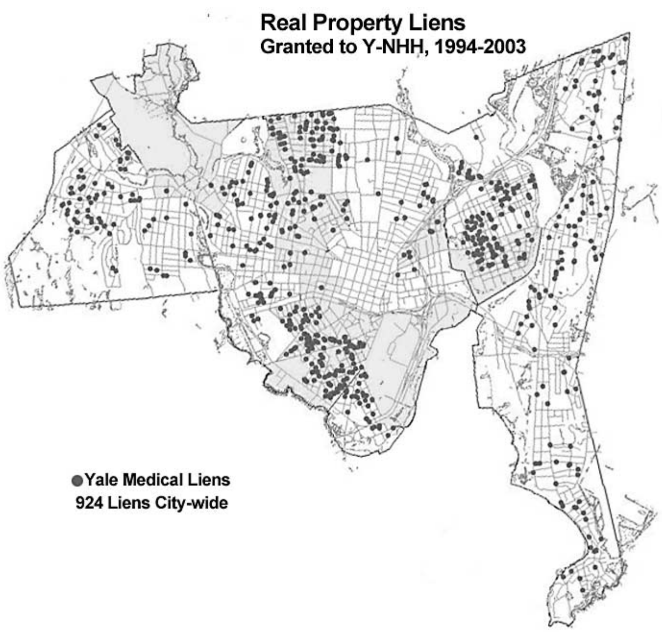
Velma Williams, a homeowner in Hamden and a worker in the Yale School of Medicine library for 21 years, nearly lost her home when Yale-New Haven Hospital sued to foreclose for $14,000. She was unaware of the balance Yale-New Haven had billed to her ex-husband, and didn't know about the lien on her home or the foreclosure proceedings until she was told by a refinancing agent. "When they put up the foreclosure sign, out of desperation I took it down and bargained with them to save my house," coming up with a $10,000 lump sum by refinancing her mortgage. This left her with an interest rate of 11.5% on her entire mortgage. Now, Ms. Williams is suing Yale-New Haven to try to recoup the payments and the mortgage interest. "This hospital doesn't pay property taxes, yet they tried to take away my home. I was never given any sort of option. Yale-New Haven Hospital is supposed to be a community hospital that gives medical attention to common people, the general public, the community. There is nothing that could be said to justify what Yale has done to us as the people who make up this community."

When and how Yale uses medical liens

The Yale medical system relies upon liens on homes as one of many tactics to strong-arm patients into paying medical debts, even patients who are unable to pay and could have qualified for charity care. Yale liens homes for debts large and small, even as small as $250.

A court judgment (civil or small claims) is necessary before a creditor can place a lien on a debtor's home. Yale-New Haven Hospital wins the vast majority of court judgments by default, sometimes without the debtor's knowledge.[5] According to court records and interviews, Yale's collections attorneys[6] will lien a debtor's home as soon as one or two months after obtaining a judgment, even if the debtor is complying with a court-ordered payment schedule. Debtors have complained of being forced to pay associated marshal fees and the fees levied by town clerks for adding or removing a lien.[7]

The impact of Yale medical liens in New Haven. According to a study by the City of New Haven, Yale-New Haven Hospital filed 925 liens in New Haven from 1994-February 2003. During that period, many more homes were liened than were ultimately released, with a net total of 665 liens, or 72%, outstanding at the end of the 9 years. A map of the liens shows a high concentration of liens in New Haven's poorest neighborhoods, with 40.3% of the liens in Empowerment Zone districts (low-income zones targeted for urban development), and a prominent cluster in the Hill neighborhood adjacent to Yale-New Haven Hospital.[8] During the same 9-year period, the Yale School of Medicine, Yale Psychiatric Institute and Yale Diagnostic Radiology placed an additional 117 liens on New Haven homes, bringing the total number of Yale medical liens in the city to over 1,000 in less than a decade.



New Haven has a very low homeownership rate relative to the rest of the state. Census 2000 data shows that fewer than 30% of New Haven housing units are owner-occupied, compared to rates of 55-88% in neighboring towns, suggesting that many Yale medical liens would be on rental properties. However, African-Americans, Latinos and low-income working people—the groups that describe the overwhelming majority of New Haven residents[9]—are at greatest risk of being uninsured or underinsured and acquiring medical debt.[10] These groups are also more likely to be "asset poor," meaning less likely to own significant assets such as rental properties.[11]

Real estate records back up this assertion. **While Latinos made up 21% of the New Haven population in the year 2000, out of the 118 liens Yale-New Haven Hospital filed that year in New Haven, 30% of the property holders had recognizably Hispanic surnames.** This fact is all the more shocking in light of the far lower national rate of homeownership among Latinos (41%) compared to whites (67%) and African-Americans (45%). Latinos in Connecticut are even less likely to own homes than in other parts of the country; according to the Hartford Courant, only 28% of Connecticut's Latinos own homes.[12]

Assuming that the liens were on owner-occupied homes, **7.5% of all owner-occupied homes in New Haven were affected by a new Yale medical lien from 1994-2002** (not including Bridgeport Hospital liens).

The impact of Yale medical liens in the Greater New Haven Area. Rising out-of-pocket medical costs[13] and lack of insurance is a problem increasingly burdening middle class, working families. In 2001, almost 10% of all Connecticut households with at least one full-time worker were uninsured, and 44% of the uninsured earned more than 200% of the Federal Poverty Guidelines (amounting to $35,300 for a family of four).[14] It is therefore of little surprise that the problem of Yale medical debt plagues not only New Haven, but also the surrounding towns with slightly higher median incomes. And for homeowners, Yale medical debt means the possibility of a lien.

Land records show that homeowners in some of the middle-income towns surrounding New Haven, particularly West Haven, East Haven and Hamden, are heavily burdened by Yale medical liens. During the 9-year period from 1994-2002, Yale-New Haven Hospital, the Yale School of Medicine and affiliates (not including Bridgeport Hospital) placed 334 new liens on East Haven homes, 359 new liens on homes in Hamden, and 486 new liens on homes in West Haven.[15]

Across the nine year period, East Haven had the highest number of liens-per-capita (based on Census 2000), followed by West Haven and New Haven. Census data shows that approximately 4.1% of owner-occupied homes in East Haven and 4.2% in West Haven were affected by a new Yale medical lien across the nine-year period, compared to 2.4% in Hamden, 1.7% in North Haven and 1.5% in Woodbridge.[16]

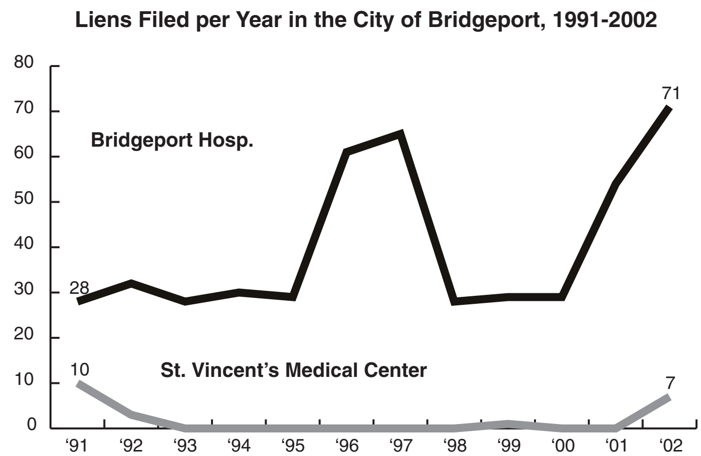
Impact of Yale Academic Medical Center (AMC) liens[18] on Greater New Haven homeowners, 1994-2002

Town	YNHH liens	Yale AMC liens	Yale AMC liens per 1,000 residents	% owner-occupied housing	Owner-occupied units	% owner-occ. units with Yale AMC liens
New Haven[19]	925	1042	8.42	29.6%	13,927	7.48%
West Haven	426	486	9.27	55.2%	11,632	4.18%
East Haven	299	334	11.84	72.8%	8,168	4.09%
Hamden	312	359	6.30	67.2%	15,069	2.38%
North Haven	113	126	5.47	86.5%	7,440	1.69%
Woodbridge	36	40	4.45	88.9%	2,758	1.45%

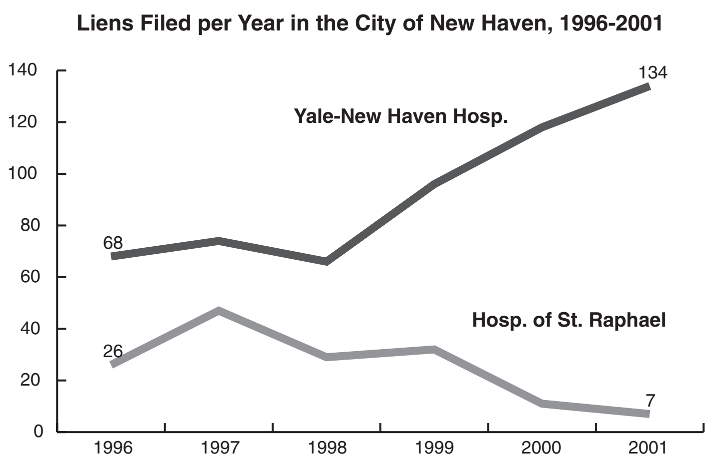
Source: Population and homeownership data from 2000 Census; lien data from town land records.

The middle-income character of East Haven and West Haven may be one explanation for why these two towns are so heavily burdened by Yale medical liens. The median incomes of East Haven ($47,930) and West Haven ($42,393) are higher than that of New Haven ($29,604) and lower than those of Hamden ($52,351), North Haven ($65,703) and Woodbridge ($102,121).[17]

Yale resorts to liens more often than peers. Yale-New Haven Hospital resorts to liens much more frequently than its New Haven competitor, the Hospital of St. Raphael. Although St. Raphael is 40% smaller than Yale-New Haven, it filed 95% fewer liens in New Haven in 2001, attaching only 7 New Haven homes while Yale-New Haven attached 134. Also, while Yale-New Haven's annual use of liens increased



Source: Bridgeport town land records.



Source: New Haven town land records.

by 97% from 1996-2001, St. Raphael's annual use dropped by 73%.

Bridgeport Hospital compares similarly to its far more charitable competitor, St. Vincent's Medical Center. Bridgeport Hospital attached 353 Bridgeport homes from 1993-2001, while St. Vincent's, just 6% smaller, attached only one. Although it is unfortunate that in 2002, St. Vincent's increased its use of this tactic and filed seven liens in Bridgeport, this pales in comparison to Bridgeport Hospital's 71 liens.

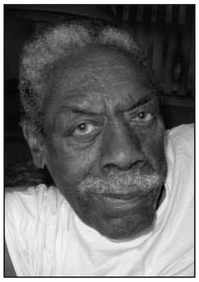
As explained in CCNE's report *Coming to a Town Near You? Charity and collections at Bridgeport Hospital, member of Yale-New Haven Health,* Bridgeport Hospital placed 88% more liens on homes in the city of Bridgeport in the six-and-a-half year period after its July 1996 takeover by Yale-New Haven than in the comparable period before.

Are there laws to protect hospital patients from liens? Public Act 03-266, "An Act Concerning Hospital Billing Practices," was passed by the Connecticut General Assembly in June and signed into law in July 2003, creating special protections for hospital debtors from wage and bank account executions (garnishments). As of October 1, 2003, such actions are prohibited if the debtor is complying with a court-ordered payment schedule. **However, the protections do not prevent hospitals from placing liens on the homes of debtors who are making payments.**

The protections do prohibit hospitals from foreclosing on liens until the debtor defaults on payments, and also raise the homestead exemption for hospital debt in Connecticut from $75,000 to $125,000, meaning the first $125,000 of equity in a hospital debtor's home is exempt from foreclosure.[20] But, these safeguards only apply to the most extreme consequence of a lien, foreclosure, not to liens themselves.[21] In this way, liens retain their original tactical value for hospital collectors: their detrimental impact on credit records, their ability to hold up or affect mortgage refinancing, inheritance or sales, and their ability to embarrass and intimidate hospital debtors (problems that will be discussed below).

The case against Yale medical liens

This section details the myriad ways liens are detrimental for patient communities and should not be used as a debt collection tool by non-profit healthcare providers. The one question this study has not been able to explore due to lack of data is the effectiveness of liens as a collections tactic. Still, it is possible to assume, based on interviews with debtors, that the effects of Yale medical liens are haphazard and wide-ranging. Some debtors go out of their way to clear a lien from their credit record; others continue making installment payments to the extent they can, as they did before; others are so discouraged by their lien, they cease attempting to pay off the debt.



"They will never get the whole amount; I'm not gonna live that long."

–Quinton White

One thing is clear: a lien can remain on a home for literally *decades* without bringing a single additional penny to a creditor. This was the case with 78-year-old Bridgeport homeowner Quinton White, who had a lien placed on his home at the outset of his 20-year pursuit by Yale-New Haven Hospital for an $18,000 debt. Although the lien threatened his sons' ability to inherit the house, Mr. White's only income was his meager Social Security, so he was unable to pay more than the court-ordered installments. These payments didn't even make a dent: due to 10% interest charges, the debt had more than doubled by 2002, even after the Hospital took Mr. White's $11,000 in retirement savings. Fortunately, after Mr. White's case was exposed in the *Wall Street Journal* in March 2003, Yale-New Haven Hospital cancelled his debt.[22] Otherwise, he almost certainly would have died before the debt was paid off, lien or no lien.

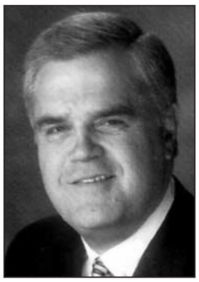
Liens are inappropriate for a non-profit healthcare provider. Unlike many other consumer debts, medical debt is acquired involuntarily. Hospital debt, in particular, often stems from emergency treatment. State Senate Majority Leader Martin Looney, who spearheaded legislation to curb aggressive hospital collection practices this year in the wake of the Yale-New Haven Hospital charity care scandal, argued on the Senate floor, "No one voluntarily incurs a medical debt. It's not as if someone purchased an appliance or a vehicle and then defaulted on the payments. In these cases, people are often under hardship, great hardship."[23]

Furthermore, liens on patients' homes does not reflect the patient care- and research-based missions of non-profit community hospitals, teaching hospitals and academic medical centers. Non-profit hospitals are granted their tax exemption with the expectation that they will benefit disadvantaged populations in their host communities, not strip those populations of their most important assets. As an administrator at the Hospital of St. Raphael in New Haven summarized that hospital's collections philosophy: "It's not a mission of our hospital to take people's homes."[24]

Even for-profit hospitals can recognize that liens are an inappropriate way to collect involuntary medical debts.

While the use of liens is redolent of a profit-driven mission, even for-profit hospitals can recognize that liens are an inappropriate way to collect involuntary medical debts. Tenet Healthcare Corporation, the second-largest for-profit hospital chain in the United States, recently responded to criticism of its treatment of the uninsured with an announcement that its 114 hospitals would no longer attach the homes of patients who have no other means to pay their hospital debts. **"Pursuing legal action to collect from unemployed patients or those who truly have no assets other than their home is no longer something Tenet hospitals will do,"** Tenet CEO Jeff Barbakow stated in the announcement.[25]

Liens punish homeownership. The importance of homeownership to neighborhood and financial stability is well-established. As U.S. Department of Housing and Urban Development secretary Mel Martinez said, "In areas where homeownership flourishes, neighborhoods are more stable, residents are more civic-minded, schools are better, and crime rates decline. Homeownership generates wealth for families and provides stability for children. Homeownership is the American Dream."[26] In one recent study, an Ohio State University economist showed that "As there are specific financial benefits for homeowners, there are also specific social benefits and consequences of homeownership, which include positive impacts with respect to household stability, social involvement, local political participation and activism, environmental awareness, child outcomes, health, crime, and community characteristics."[27]



"Our hospital's symbiotic relationship with this community has served us all very well."

–Joseph Zaccagnino, CEO of Y-NH

Yale administrators have recognized and even emphasized the importance of homeownership in stabilizing communities. "Stable neighborhoods provide the mosaic for a stable community," stated a "Special report to the community" widely distributed by Yale-New Haven Hospital in the fall of 2002. "Towards that end, YNHH works with... New Haven agencies to support homeownership and home renovations in the Hill, a challenged neighborhood adjacent to the Hospital." Specifically, the Hospital reported making a $200,000 grant to a "Hill Housing Rehabilitation Fund." Yale-New Haven CEO Joseph Zaccagnino said in his preface to the report, "Our hospital's symbiotic relationship with this community has served us all very well."

Yale University touts a "Home Ownership Program" that provides grants to employees to purchase homes in certain New Haven neighborhoods. "We try to be as generous as we possibly can, we think this is a terrific investment by the University in the city," said Yale's director of public relations of the program.[28] "Affordable homeownership helps neighborhoods retain prospering families, support existing residents, and attract new residents," says the website of the Yale Office of State and New Haven Affairs.[29]

In addition, when calculating need-based financial assistance grants for students, Yale University only has limited expectations for families to use their home equity toward tuition payments, and very recently changed to provide even greater protections. As of the 2003 fall semester, Yale will expect student families who receive financial aid to put 5% of their home equity toward tuition, and will cap the "value" of the home at 2.4 times a household's income. According to the *Yale Daily News,* "the change is intended to benefit families whose home values have risen dramatically since they bought their homes, but whose income has stayed relatively constant," and that it "acknowledges that home equity is an asset that cannot easily be converted into tuition."[30]

The respect toward homeownership that Yale and its teaching hospital profess contrasts sharply with Yale-New Haven's stated policy of targeting homes for medical debt collection. The "YNHH Policy and Procedures Regarding Charity Care" from 1991 states that "Accounts are sent to an attorney if the patient is either employed or owns property and therefore has resources to pay the bill (bad debts)." The most recent Yale-New Haven Health policy on charity care (which applies to both Yale-New Haven Hospital and Bridgeport Hospital) states:

> During the collection process, either internally or with the help of a collection agency, a decision is made to turn certain accounts over to an attorney. These are usually accounts of patients who have jobs or *assets such as a house* or investments that indicate there is an ability, but unwillingness, to pay the bill.[31]

CCNE has uncovered many cases where Yale-New Haven has sent collections attorneys after patients with no jobs or assets. Still, it is disturbing, especially given Yale's rhetoric on the value of homeownership, that the Yale-New Haven Health System considers mere homeownership a sign of "ability, but unwillingness, to pay."

The Yale-New Haven Health System considers mere homeownership a sign of "ability, but unwillingness, to pay."

Liens exacerbate an "asset poor" status quo. "All too many of our residents lack the financial safety net necessary to survive fiscal emergencies," said Shelly Geballe, co-president of Connecticut Voices for Children. [32] "Family income, while important, is not the only piece of the puzzle. Family assets matter greatly too. They protect families against economic ruin if family income is interrupted, and enable families to move themselves out of poverty—permanently."[33]

Unfortunately, according to the breakthrough study co-authored by Ms. Geballe, *Connecticut Family Asset Outcomes,*[34] Connecticut ranks 36th in the country on household net worth. Nearly one in six (16%) Connecticut households has either zero or negative net worth. Nearly one in four (22.5%) Connecticut households is "asset poor," meaning net worth is insufficient to support the household for three months at federal poverty standards. This problem is particularly severe for minorities. The net worth of white households is 3.5 times that of minority households. Only eight states in the nation have worse minority homeownership rates than Connecticut.

Clearly, liens are an attack on one of the most eagerly sought-after, keystone assets, homes. As *Connecticut Family Asset Outcomes* explains, "Homes are assets that foster family stability, build financial equity and commitment to a community, and enable long-term planning." Any debt collection policy that, like Yale-New Haven's, considers homeownership equivalent to "ability, but unwillingness to pay" and treats homes as a dispensable asset, threatens a tool of family economic development critical to Connecticut's future.

Liens are a barrier to home sales and mortgage refinancing. Liens create barriers for families when selling their homes, when refinancing a mortgage to lower a monthly payment, or when seeking a home equity loan. In a poll by the Idaho Community Action Network about the affect of liens when individuals seek to sell a home or refinance, various financial institutions all responded that a lien "represents a significant barrier when selling property or applying for additional credit." As one loan officer from the Home Federal Savings and Loan said in response to the poll, **"It would definitely be one of the first things that we would look at…it raises quite a flag when a lien is present."**[35]

Debtors interviewed for this study found their lien a major deterrent to moving. In one case, a lien prevented a Yale-New Haven Hospital debtor from moving to a home more suited to the needs of a family member who became handicapped after the home was liened. In another case, a debtor who had additional children after his home was liened could not move to a home large enough to accommodate his family.

Liens bring numerous complications to mortgage financing. A number of Yale medical debtors interviewed by CCNE sought to refinance their home mortgage in 2002 and 2003, hoping to lock in a more affordable interest rate and in some cases obtain a home equity loan. Some were turned down until they independently paid off their lien. Debtors who were approved for loans that were needed to restore a business or help family members found that they instantly lost desperately needed proceeds to an escrow account that was used to pay their lien off in full.

A number of debtors were prompted by bank agents to use mortgage refinancing to pay off a Yale medical lien. In fact, a call from a refinancing company was the first time some debtors had heard their home was attached. "I would never have found out about the suit against my property," said Yale-New Haven Hospital debtor Velma Williams, "if a mortgage company had not called to inquire if I wanted to refinance due to interest lowering on homes, and asked, 'Did you know a lien has been placed on your house?'" Ms. Williams ultimately refinanced her mortgage to pay off $10,000 worth of a $13,000 charge in order to stop Yale-New Haven from foreclosing. This move brought her mortgage interest rate to nearly 12% and left her with an unbearable monthly mortgage payment that she said "just pays the interest."

Whenever debtors pay off a lien through mortgage refinancing, they are impacting their ability to lower—sometimes even raising—the interest rate on their entire mortgage. These lost percentage points mean, in some cases, thousands of dollars in additional interest payments over the decades it takes to pay down a mortgage, in addition to the money lost to the lien directly.

Liens cause long-term injury to credit reports. In compiling consumer credit reports, the major credit bureaus glean information from public records, including notice of property liens. The appearance of detrimental information on a consumer's credit report impacts that consumer's credit score, which according to consulting firm Fair, Isaac & Co., "influences the credit that's available to you, and the terms (interest rate, etc.) that lenders offer you. It's a vital part of your credit health."[36]

Credit scores are increasingly being used by prospective employers and landlords during background checks as a measure of "responsibility."

The credit scoring system developed by Fair Isaac, called FICO scoring, is most widely used by lenders. Under the FICO system, detrimental "public record and collection items" such as judgments, wage garnishments and liens "are considered quite serious." These items affect payment history scores, which comprise 35% of the FICO score.[37] Credit scores do not take into account the distinction between liens resulting from involuntary medical debt and liens resulting from other consumer debt.

Even if a lien is paid off, nothing but time will "erase" it from a credit report. Under the FICO system, **after removed, record of the lien will remain on a credit report for seven years**, after which the history is finally purged.

The appearance of a lien on a credit report impacts the consumer's access to new credit or affordable credit, which is usually vital to maintaining financial stability and a middle-class standard of living in the United States. Credit scores are also increasingly being used by prospective employers and landlords during background checks as a measure of "responsibility," and even by auto insurers when setting premiums.[38] Therefore, for the minimum of seven years that it remains on a credit report, a lien may affect a Yale medical debtor's financial stability, employment and housing prospects.

Liens may lead to deferral of needed medical care. Low- and middle-income patients are known to defer needed medical care if they fear financial repercussions. A medical provider's routine use of punitive collection tactics, such as liens, increases such fear, and may cause patients to avoid that provider or avoid seeking further treatment.

After Yale-New Haven Hospital placed two liens on Yvonne Hartsfield's New Haven home (for a debt totaling under $2,000), Ms. Hartsfield began to avoid the

Hospital and Yale-affiliated clinics, seeking care at the Hospital of St. Raphael instead. Ms. Hartsfield ran into trouble, however, when she needed to see an optometrist, and was told the only optometrists in her health plan's network were Yale affiliates. "I don't go to Yale doctors or Yale-New Haven Hospital anymore. I'm afraid," she said. Even interviewees with insurance said they have avoided the Yale medical center since their homes were attached.

Nationwide, hospitals are being discouraged from using aggressive collections tactics such as liens. In the fall of 2002 and in 2003, hospitals' treatment of the uninsured became a high-profile issue in the United States. In California, Chicago and Denver, criticism rose of the widespread practice of "discriminatory pricing," where hospitals routinely bill uninsured patients more than insurance companies for the same procedures. A number of local groups, including CCNE in New Haven and Building Parent Power in Hartford, CT, exposed hospitals that failed to inform patients in need about charity care. CCNE's campaign against Yale-New Haven Hospital's uncharitable practices helped bring the issue of aggressive hospital collections on hospital debt into the national spotlight.

"Fear of a hospital bill should never get in the way of essential health services."

–American Hospital Association

On June 10, 2003, the American Hospital Association sent out a "Member Advisory" counseling hospitals to be cautious of this nationwide scrutiny and review their charity policies. The AHA wrote of news articles that "have chronicled cases of some hospitals seizing bank accounts, putting liens on homes, and continuing to charge interest on uncollected sums owed by patients who reportedly had made some effort to settle their debt. ... Some reporters have begun linking some of these issues to hospitals' tax-exempt status."

Emphasizing the increasing interest of the media in these issues, the AHA advisory recommended that all hospitals "self-audit" their charity policies and review their collection practices. Under the recommendations for revising collection practices, the AHA wrote: "Fear of a hospital bill should never get in the way of essential health services... For patients who do not qualify for charity care but are in need of financial help, consider offering revised or extended payment terms or other payment options."

As mentioned earlier, in January 2003, Tenet Healthcare Corporation, the second largest *for-profit* hospital system in the United States, responded to public criticism of its "discriminatory pricing" and collections practices by announcing several changes to its charity policy, including a pledge to refrain from liens on homes of patients with no other ability to pay. Tenet CEO Jeff Barbakow said when the new policy was announced, "Tenet is only one member of a very large industry, but we intend to demonstrate our leadership on this."[39]

Conclusion and recommendations

Health policy analysts wrote of the "vicious cycle" of medical debt in a recent report on the costs of being uninsured:

> Poor people cannot afford health insurance. They get sick and either do not get care or get sicker and use more expensive care resulting in smothering medical debt. The medical debt is, itself, economically destabilizing, preventing families from obtaining adequate housing, employment, savings, and other attributes of financial security. Medical debt flows from poverty and leads to poverty.[40]

This cycle is visibly encountered in the impoverished New Haven community, where the uninsured rate is high, chronic diseases such as asthma and diabetes are pervasive, and medical debt is an epidemic. The apparent disproportionate impact of Yale medical liens on Latinos in New Haven, the group with the lowest homeownership rates in the state, is extremely troubling.

However, medical debt also plagues middle-income families in Greater New Haven, many of whom were underinsured or were victims of billing errors, and appears to disproportionately impact homeowners in the middle-income communities of East Haven and West Haven. Some families experience medical debt through a cycle of poverty; others experience it as a catastrophic scythe, a force that undercuts their only basis for middle-class security and stability: homeownership.

No patient's home should be treated as a health insurance policy.

Among changes to its charity care and collection practices announced in May 2003, Yale-New Haven Hospital pledged that it would instruct its collection attorneys to "obtain pre-approval from the Hospital before placing property liens."[41] Yale-New Haven has not publicly clarified what criteria it would use for deciding when liens would be appropriate and when they would be discouraged. Yale School of Medicine has yet to comment publicly on its use of liens as a collection tactic.

With or without "pre-approvals," a policy of targeting medical debtors who own homes with liens arguably does more harm than it helps medical providers, as this report has illustrated. No patient's home should be treated as a health insurance policy. CCNE therefore recommends:

- Yale New Haven Health System members and the Yale School of Medicine should immediately release all outstanding liens;
- The Yale medical system and other non-profit health care providers should, as a stated policy, totally refrain from the use of liens on homes.

CCNE reiterates its call on the board of trustees of the Yale-New Haven Health System, and extends that call to leaders of the Yale School of Medicine, to hold open meetings with the community to negotiate accountable and transparent charity and collection reforms. Such reforms would improve the Yale medical system's ability to distinguish between inability and unwillingness to pay, and would help to identify alternative collections methods—methods befitting a non-profit, community-owned healthcare provider.

Notes

1 *The Wall Street Journal,* "Twenty Years and Still Paying: Jeannette White is long dead but her hospital bill lives on," by Lucette Lagnado, 3/13/03; *The Wall Street Journal,* "After 20 Years and $16,000, a Hospital Debt is Cancelled," by Lucette Lagnado, 4/1/03. For a list of and links to all media coverage of the Yale-New Haven Hospital charity controversy, see http://ctneweconomy.org/hdjp_press.

2 YNHH also promised to implement a sliding scale for uninsured patients "subject to legal and regulatory review and approval," to collect more detailed information from collection attorneys, and to "pre-approve" liens. Letter from Marna Borgstrom, YNHH Chief Operating Officer, to Connecticut legislators, 5/6/03.

3 By the time of its May 6, 2003 pledge of charity policy reforms, YNHH said it had closed 170 accounts, out of approximately 10,000 outstanding. According to the *New Haven Register*, YNHH stated that the 170 accounts "were written off for a number of reasons: they were close to being paid off; the responsible parties could not be found, or for what they called 'unique circumstances.'" (*New Haven Register,* "Coalition urges Y-NH to go a step further and cancel all patient debts," by Mary O'Leary, 5/9/03.) No further criteria have been disclosed for which debts would be cancelled during the review process.

4 CCNE's report *Coming to a town near you? Charity and collections at Bridgeport Hospital, member of Yale-New Haven Health* (September 2003) explains that since its takeover by Yale-New Haven, Bridgeport Hospital outsources collections on its "self-pay" patient accounts to the Yale-New Haven Health System Business Office, and shares the same collections policy and charity policy with Yale-New Haven Hospital (but not with Greenwich Hospital, Yale-New Haven Health's other member hospital). The report also describes how Bridgeport Hospital's use of liens increased 88% in the 6.5 years following the July 1996 Yale-New Haven takeover.

5 See Connecticut Center for a New Economy, *Uncharitable Care: Yale-New Haven Hospital's charity care and collections practices,* January 2003, p. 13-14.

6 Yale-New Haven Hospital, Bridgeport Hospital, the Yale School of Medicine, and Yale University-owned departments such as Yale Diagnostic Radiology and Yale Psychiatric Institute (before it became a Yale-New Haven Hospital department in 2000) all use the same notoriously aggressive collection law firm, Tobin & Melien.

7 Since in New Haven, these fees are $13 for the first page and $5 for each additional page filed simultaneously in the land records, the accumulated fees for adding and removing a single lien would range about $30-$40.

8 Map produced by the City of New Haven, "Real Property Liens Granted to YNHH, 1994-2003," 4/24/03; Office of the Mayor, Interoffice Memo, "Yale New Haven Hospital Outstanding Property Liens," From Elizabeth Russell to Julio Gonzalez, 4/24/03.

9 Census 2000 data shows that New Haven is 37% African-American and 21% Latino, and its median household income in 1999 was $29,604.

10 According to the Kaiser Family Foundation (www.kff.org), during 2000-2001, 23% of Latinos and 18% of blacks in Connecticut were uninsured, compared with 9% of whites. 56% of the Connecticut's uninsured were below 199% of the Federal Poverty Guidelines. (In 2001, the Federal Poverty threshold was $17,650 for a family of four.)

11 A report published in October 2002 by Connecticut Voices for Children and the Corporation for Enterprise Development, *Connecticut Family Asset Outcomes,* found that Connecticut had greater racial and income inequality in asset ownership than most other states, ranking 42nd best in minority homeownership and 37th best in low-income (bottom quintile) homeownership. Connecticut's racial inequality in family assets was found to exceed its already considerable inequality in family income (whites earn 1.6 times more than African-Americans and 1.8 times more than Latinos in Connecticut); the net worth of white households nearly 3.5 that of minority households in the state. The top quintile of income-earners in Connecticut is twice as likely to own a home than the bottom quintile; and whites in Connecticut are more than twice as likely to own homes as minorities (Based on a 3 year average from 1997-1999).

12 *The Hartford Courant,* "Latino homeownership lagging in city," by Mike Swift, 4/28/2002. Only eight states had worse minority homeownership rates than Connecticut in 2002 according to *Connecticut Family Asset Outcomes* (op. cit).

13 Kaiser Family Foundation and the Health Research and Educational Trust, "Employer Health Benefits, 2003 Annual Survey" (www.kff.org); *Daily Labor Report,* "As Health Premiums Continue to Soar, Surveys Show Firms Seeking New Options," 9/10/03. The Kaiser/HRET survey found that in 2003, premiums averaged $3,383 for single and $9,068 for family health coverage, and that 44% of covered workers now face a separate deductible or co-payment for hospital visits, averaging $200 per admission. 2003 saw the largest rise in insurance premiums since 1990 and the third consecutive year of double-digit premium hikes (nearly 16%). Many employers are looking to higher cost-sharing in response.

14 Kaiser Family Foundation state facts (www.kff.org). The Federal Poverty threshold in 2001 was $17,650 for a family of four.

15 The lien counts in this study include all instances when the creditor claims a security interest in the debtor's property, including judgment liens, pre-judgment liens and attachments.

16 Calculations divide the number of Yale medical liens in each town from 1994-2002 by the number of owner-occupied housing units in each town according to Census 2000. Because regular homeowners, rather than landlords, are far more likely to face medical debt, this estimate assumes that all Yale medical liens in each town are on owner-occupied homes.

17 Median incomes from Census 2000.

18 "Yale Academic Medical Center" liens includes liens and home attachments from Yale-New Haven Hospital, Yale University School of Medicine, Yale Diagnostic Radiology and Yale Psychiatric Institute. The count does not include Bridgeport Hospital.

19 New Haven number includes liens in January and February 2003.

20 Debtors who do not know their rights and actively claim them will not benefit from the $125,000 homestead exemption in the event of foreclosure. Also, the stay of execution provision only applies to hospital debt, not other types of medical debt, such as that acquired through visits to Yale physician offices. Finally, the new legal protections are not retroactive to the hundreds of outstanding Yale medical liens.

21 Foreclosure is rarely used in collecting hospital debt. Yale-New Haven Hospital foreclosed on homes until recently, but in response to public pressure, announced in May 2003 that it would refrain from the tactic.

22 *The Wall Street Journal,* "Twenty Years and Still Paying: Jeannette White is long dead but her hospital bill lives on," by Lucette Lagnado, 3/13/03; *The Wall Street Journal,* "After 20 Years and $16,000, a Hospital Debt is Cancelled," by Lucette Lagnado, 4/1/03.

23 Connecticut General Assembly Senate Transcript, 5/28/03.

24 *New Haven Advocate,* "Heartless Hospital," by Paul Bass, 4/17/03.

25 Tenet Health Care press release, "Tenet pledges fair treatment, discount prices for uninsured," 1/28/03.
http://www.tenethealth.com/TenetHealth/PressCenter/PressReleases/Tenet+Pledges+Fair+Treatment.htm

26 These and other comments on homeownership by HUD Secretary Martinez, were posted April 2002 at http://www.hud.gov/offices/fbci/thoughts.cfm.

27 The Homeownership Alliance, "The Social Consequences of Homeownership," by Robert Dietz, Ohio State University Dept. of Economics and Center for Urban and Regional Analysis, June 18, 2003.
http://www.homeownershipalliance.com/media/studies/social_consequences_study.pdf

28 *Yale Daily News,* "Fair Haven wants a piece of the homebuyer pie," 1/20/00.

29 http://www.yale.edu/onhsa/homeowner.htm, 8/28/03.

30 *Yale Daily News*, "New financial aid formulas place cap on home equity," 9/8/03.

31 Italics added. "Yale New Haven Health Policy on Charity Care," dated September 2001.

32 Connecticut Voices for Children press release, "Experts Address Disparities in Home Ownership and Education Among Connecticut Families," 10/24/02.

33 Connecticut Voices for Children press release, "'Assets, not Just Income, Critical to the Economic Security of Connecticut Families,' according to State Asset Reports," 10/8/02.

34 Connecticut Voices for Children and the Corporation for Enterprise Development, *Connecticut Family Asset Outcomes*, by Shelly Geballe and Douglas Hall, October 2002.

35 Idaho Community Action Network, The Access Project and Community Catalyst, "Don't Lien on Me: Why the State's Medical Indigency Care Program Is Unhealthy for Idahoans," 2001.

36 http://www.myfico.com

37 Fair, Isaac & Co., "Understanding Your Credit Score," July 2002: http://www.myfico.com/Offers/Brochure/BrochureDownload.asp

38 *Cincinnati Enquirer,* "Past Financial Woes Drive Up Auto Insurance Rates," by Dave Carpenter, 7/24/01.

39 Tenet Health Care press release, "Tenet pledges fair treatment, discount prices for uninsured," 1/28/03.
http://www.tenethealth.com/TenetHealth/PressCenter/PressReleases/Tenet+Pledges+Fair+Treatment.htm

40 "Into the Red to Stay in the Pink: The Hidden Cost of Being Uninsured," by Hugh F. Daly III, Leslie Oblak, Robert Seifert, and Kimberly Shellenberger, *Health Matrix: Journal of Law-Medicine,* 12(1) Winter 2002.

41 Letter from Marna Borgstrom, Chief Operating Officer of Yale-New Haven Hospital, to Connecticut legislators, May 7, 2003.

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