

Bon Secours transferred millions out of Richmond Community Hospital, records show

Tax forms obtained by The Times-Dispatch are providing a new snapshot into how much revenue [Richmond Community Hospital](#) generated for its out-of-state, not-for-profit owners, [who have come under fire for how funds are reinvested into the 104-bed East End facility](#).

The financial figures that Cincinnati-based Bon Secours Mercy Health reported on annual 990 forms showed a total of \$48 million being sent from Richmond to the headquarters between 2015 and 2019. The transactions were either billed as “reimbursements” for services provided by Mercy or as “fundraising solicitations.”

In 2019 alone, Richmond Community shipped off \$27.5 million. That year, for every dollar the not-for-profit made in revenue, 28 cents left the state and went to Ohio, the forms show.

Bon Secours Mercy Health, the product of a 2018 merger, operates 48 hospitals in seven states and abroad. Richmond Community, which opened in 1907 and serves a largely poor population, became part of the predecessor organization Bon Secours in 1995.

Bon Secours maintains that the transfers represent centralized cost sharing increasingly typical to the health care industry. But the 990 information comes as the Richmond hospital and Bon Secours are under scrutiny over how finances are allocated to local operations.

[The New York Times in September](#) reported on the hospital’s use of a program known as 340B to generate revenue.

It allows certain hospitals that serve areas with large uninsured or poor populations to buy prescription drugs at a discount, [but how hospitals use those profits is not regulated](#).

[The Times reported that Bon Secours used the program to list 10 outpatient clinics](#) in the Richmond area as subsidiaries of Richmond Community, which allowed for the purchase of drugs at a cheaper price. Bon Secours then sold those medications to wealthier patients who paid a higher price, the story said.

[The story questioned whether Bon Secours reinvested its profits in the hospital](#) — which has had key services slashed even as it became a cash cow for the health system. In 2017, the intensive care unit was removed.

The only gastrointestinal doctor position wasn't filled after the previous one left. The hospital no longer has the ability to perform major surgeries, treat kidney disease or perform cardiac catheterizations.

At the same time, Bon Secours expanded facilities in Hanover and Midlothian.

The Times-Dispatch analysis confirms that millions of those dollars left Richmond Community, [increasingly so as the hospital's profits surged](#).

In sheer revenue, Bon Secours' Richmond Community netted almost as much as Inova Fairfax Hospital, despite one-thirtieth of the admissions. Inova admitted 45,000 patients in 2021 and had a revenue of \$122 million. Richmond Community admitted just 1,500 patients and had a revenue of \$110 million.

The Times-Dispatch does not have access to the company's most recent 990s for the years 2020 and 2021. The IRS has a significant backlog of tax returns.

'Centralized, back-office operations'

In a statement, Jenna Green, spokeswoman for Bon Secours, said the transfers represent "centralized, back-office operations" that are allocated consistently across Bon Secours' 48 hospitals and that allow smaller hospitals in the Bon Secours network to save money.

"These shared services transfers are reimbursement for services provided by the ministry including information technology, human resources, finance, marketing, supply chain services and more which are operated at the system level and provided to the hospital at a fraction of the cost compared to what it would be if each hospital provided each service independently," Green said.

In the same 2019 period, Bon Secours also transferred millions from other Richmond hospitals, including \$96 million from St. Mary's in Henrico County and \$41 million from St. Francis in Chesterfield County.

Both hospitals receive thousands more in admissions than Richmond Community Hospital, a 104-bed hospital based in the Church Hill neighborhood in Richmond's East End. It was built in 1907 and purchased by Bon Secours in 1995.

In 2018, Virginia-based Bon Secours Health System merged with Mercy Health, an Ohio-based hospital network. The merger created the fifth-largest Catholic health system in the United States, with \$8 billion in operating revenue, according to an announcement about the plans.

The hospital no longer has an ICU and has lost a number of specialists — including pulmonologists and cardiologists — who have not been replaced, according to The Times' reporting.

Dr. Lucas English, former doctor in Richmond Community's emergency department, told The Times that "Bon Secours was basically laundering money through this poor hospital to its wealthy outposts."

Bon Secours' executives rebuked the accusations.

"We have a robust history of addressing key social, disparity and infrastructure factors that negatively affect people who are poor and uninsured, and it is simply wrong to assume or suggest that we would ever act in a way that does not live up to our mission," said Paul Smith, interim president of Bon Secours Richmond, and Dr. Peter Charvat, chief clinical officer, in a statement.

How program works

Richmond Community qualifies for 340B because it is a safety net hospital, a determination made by the federal program that runs 340B using demographic information about its inpatient admissions.

Under Richmond Community Hospital's name, Bon Secours has registered 11 other clinics that qualify for the discounts, such as three cancer institutes at Bon Secours St. Francis, Bon Secours St. Mary's and Bon Secours Memorial Regional. The clinics serve wealthier populations, typically with private insurance, who pay full freight for the discounted drugs bought with Richmond Community Hospital's 340B discount. The hospital network pockets the difference.

The hospital's 340B qualification is never threatened because the program only measures need based on a count of patients who actually walk through Richmond Community's doors, said Rena Conti, professor of health economics at Boston University. Conti has authored several papers on loopholes in the 340B system.

"In order to qualify for 340B, you need to maintain an uninsured patient population that is high enough, which is based on inpatient census, not outpatient census," Conti said. "Hospitals can choose to see patients in the outpatient or inpatient setting. It's not profitable for you to see cancer patients in the inpatient setting. But it's profitable for you to see them as outpatients."

Data from Virginia Health Information shows nearly all of Richmond Community's profits came from outpatient services. In 2020, outpatient revenue accounted for 30 times the money it made from inpatient services.

Conti said there is nothing in the 340B law that says hospitals have to reinvest their profits.

Green, the Bon Secours spokeswoman, said the operating model it's using "is found within many large-scale organizations and integrated health systems across the commonwealth, the nation and the world."

Said Green: "This efficiency helps hospitals like Richmond Community Hospital continue to operate, ensuring access to care for years to come."

In November, a group of East End community members called the Richmond Coalition for Health Equity petitioned Richmond Community with a list of requests. The group was

created in the wake of The Times reporting on the hospital's manipulation of 340B.

The coalition's requests include expanding the hospital's operating hours, hiring from the community and making urgent care more accessible. It says Bon Secours has been receptive, and it is expecting a formal response from the hospital group.

"To hear that that amount of money, which means resources and services in a community that has historically not had much, it's devastating," said Bryce Robertson, a member of the group. "What should be there is apparently being siphoned away."

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How Bon Secours allegedly exploited a government drug program for profit

It began at least 15 years ago. A gastrointestinal doctor in Hanover County would prescribe an expensive medicine for Crohn's disease called Remicade. To receive the intravenous therapy, patients traveled across the parking lot at Memorial Regional Medical Center in Mechanicsville and visited the infusion center.

But when the paperwork arrived, the site of the infusion was listed at a hospital 9 miles away in the city of Richmond — Richmond Community Hospital. The doctor approached an executive at Bon Secours, which owns both facilities. The explanation: Richmond Community was buying the medicine for the Memorial patients.

"It's fraud, really, in my opinion," said the doctor, who asked to remain anonymous because he still contracts with Bon Secours.

His account supports a report by [The New York Times](#) alleging that Bon Secours buys medicine at a discounted price through a federal program intended for low-income patients and disperses it to customers throughout the area, regardless of their financial ability.

Richmond Community treats a low-income population in Church Hill and qualifies for the program, called 340B. Bon Secours also operates 10 outpatient clinics in other parts of town that are listed as subsidiaries of Richmond Community, according to federal records. The outpatient clinics get the benefit of purchasing cheap drugs even though their clientele are likely much wealthier.

One such clinic, the Bon Secours Cancer Institute at St. Mary's Hospital, is in western Henrico County, adjacent to some of the wealthiest neighborhoods in town. But for the purposes of the 340B program, the cancer institute is part of Richmond Community, 10 miles away on the other side of town.

Bon Secours' maneuvering isn't illegal, experts said. But they said it does demonstrate how greater scrutiny of the program is needed.

Jenna Green, a spokesperson for Bon Secours, said the health system is fully compliant with the program and uses the savings to reinvest in the community.

"As a provider in Richmond's East End, 340B is critical to our patients," Green said. "We have and will continue to provide accessible, affordable, high-quality care through this and other programs that improve the well-being of the greater Richmond community."

Drug costs for low-income patients

The 340B Drug Pricing Program, instituted in 1992, allows nonprofit health care facilities to purchase outpatient drugs at discounts of 20% to 50%.

Eligible facilities typically provide care to a high number of Medicare and Medicaid patients. Virginia Commonwealth University Medical Center and its subsidiaries also qualify. Hospitals owned by HCA Healthcare, a for-profit entity, are not eligible.

The Affordable Care Act expanded the number of health care facilities that can participate in the program, and now 50,000 facilities take part. The federal government estimates that hospitals and other health care providers have saved \$38 billion in drug costs.

According to The New York Times, Richmond Community can buy a vial of the cancer drug Keytruda for \$3,444. Then it charges private insurer Blue Cross Blue Shield more than seven times the price — roughly \$25,000.

Richmond Community had a profit of nearly 44% in 2020, according to Virginia Health Information.

When a hospital buys a discounted drug and then bills an insurance company the standard rate, the hospital pockets the difference. The hospital should then use the money to support the low-income communities they already serve, said David Bowman, a spokesperson for the Health Resources and Services Administration, which operates 340B.

But that's where critics of Bon Secours speak up. They say the health system has invested in the posh St. Francis

Medical Center in Midlothian and Memorial Regional in Hanover while dragging its feet to build a 25,000-square-foot facility near Richmond Community that it pledged to the city a decade ago.

Hospitals that make money off 340B are supposed to reinvest their earnings by expanding or adding services, said Saleema Karim, a professor of health administration at VCU. The law doesn't make any specific requirements.

Del. Otto Wachsmann, R-Sussex, owned and operated an independent pharmacy in Stony Creek for 18 years until 2019, when he sold it to a federally qualified health center that opened in the same community in Sussex County.

Wachsmann, who said he now works a few days a month for another community health center in Waverly, said the 340B program makes it "financially feasible" for federally qualified health centers, clinics and independent pharmacies to operate in rural Virginia and other medically underserved areas.

The discounted drugs under 340B "can only be used for those patients that are being treated by the covered entity" under the federal law, he said.

An infusion at St. Francis

A South Richmond man needed an iron infusion to treat anemia. He went to St. Francis for the infusion. But when he got the bill, its origination was listed as Richmond Community Hospital.

"Lo and behold, it was from the hospital over there in Church Hill," he said.

His suspicion over the billing intensified after he read a story published Tuesday in the Richmond Times-Dispatch about Bon Secours' use of Richmond Community to take advantage of the 340B federal drug pricing program.

"It makes me wonder if Bon Secours is getting medications at reduced price from them and selling them at retail over at St. Francis," said the man, who did not want to be identified because of his continued medical treatment at Bon Secours.

While the 340B program is designed to help low-income patients, there is a loophole. Health systems can open "child sites" such as the 10 outpatient clinics owned by Bon Secours.

One of the 10 outpatient clinics considered a subsidiary of Richmond Community is the Southside Outpatient Infusion Center, near St. Francis. So is the nearby Bon Secours Cancer Institute at St. Francis.

Five of the associated clinics are on Bremo Road near St. Mary's Hospital. Two are on Atlee Road near Memorial Regional. One location is not adjoined to any hospital — the Bon Secours Rheumatology Center, at 9602 Patterson Ave., 14 miles from Richmond Community.

VCU's benefit

VCU Health also benefits from 340B. VCU Medical Center cares for more patients who are uninsured or covered through Medicaid than any other hospital in the state, said Grant Heston, vice president for university relations.

Thanks to 340B, VCU Health saved \$114 million in 2020, benefiting more than 2,000 patients the health system said.

VCU reinvested that money, opening the 17-story Adult Outpatient Pavilion downtown last year. It is currently building a 16-story Children's Hospital of Richmond tower, which will bring the hospital's inpatient and outpatient care for children under one roof. The health system has made a number of other investments in recent years.

There's not a great deal of oversight of the 340B program, said Paula Song, a professor of health administration at VCU. Though the program is designed to help uninsured and underinsured patients, it doesn't always end up that way.

Hospital systems participating in 340B have increasingly opened clinics in wealthier areas in the past 20 years, The New York Times reported.

When a hospital dispenses a drug to an ineligible patient, it's referred to as a "drug diversion." Between 2012 and 2020, federal Health Resources and Services Administration audits counted more than 500 drug diversions nationwide.

President Joe Biden's administration included a legislative proposal in the federal budget to require eligible health care facilities to report to HRSA their 340B savings and how they spend the money. It's unclear if the way Bon Secours reinvests its money would violate HRSA procedures.

On Monday, after The New York Times published its story, Virginia politicians called for the government to go to greater lengths to ensure 340B is used as designed — for low-income patients and hospitals.

"Certainly there should be" greater oversight, Song said.

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'This community has been neglected': the downsizing of Richmond Community Hospital

Virginia Commonwealth University wanted to buy [Richmond Community Hospital](#), two sources told the Richmond Times-Dispatch. VCU Medical Center almost always operates near capacity, and it could use the extra space.

But Bon Secours, the nonprofit health system that owns Richmond Community, wasn't interested. The three-story, beige brick hospital in Church Hill was far too valuable.

Because it serves a high number of poor patients, Richmond Community enables Bon Secours to buy medicines at deeply discounted costs through a federal program, sell them to wealthier patients throughout greater Richmond and reap the profit, according to [The New York Times](#).

The problem is, critics of the health system say, Bon Secours isn't reinvesting enough money back into Richmond Community, which has withered into a shell of its former self. The health system disbanded the small intensive-care unit at Richmond Community. It removed the hospital's ability to treat gastrointestinal problems, kidney issues and severe cardiac concerns.

Meanwhile, it is spending \$108 million on expanding St. Francis Medical Center in Midlothian and \$49 million on Memorial Regional Medical Center in Hanover.

"Definitely this community has been neglected," said a Church Hill resident who used to work at Community. She spoke on the condition of anonymity because she works for a competing system. "You can't go there for anything real."

Two Bon Secours executives defended the health system this week in a letter to employees, disputing the allegations.

VCU's inquiry was informal and made several years ago, a source said. Spokespeople for Bon Secours and VCU Health declined to comment on the matter.

'Shell of a hospital'

In late 2016, word had gotten out about Community's intensive-care unit. Bon Secours planned to close it.

A small, five-bed outfit, the ICU cared for patients with gastrointestinal bleeds, sepsis and stroke. The patient volume was too low to keep it going, management said at the time, according to two former employees.

The staff pushed back, asking for a meeting with executives. The two doctors who staffed the ICU wrote a letter in an effort to save it.

Their efforts didn't work. In January 2017, the ICU closed, the handful of nurses were reassigned and the doctors retired when their contracts lapsed.

"It marked the end of true services coming to Richmond Community Hospital," said one former employee, who spoke on the condition of anonymity because of a continuing association with the health system.

The decision had a ripple effect on the kind of services the hospital could offer. Without an ICU, it could no longer perform serious surgeries. Without the pulmonologists who ran the unit, Community could no longer treat serious lung issues.

When the hospital's lone gastrointestinal doctor left, he wasn't replaced. The hospital can no longer treat kidney disease or urological problems. It doesn't offer OB-GYNs, and it can't complete all cardiological procedures.

“It’s a shell of a hospital,” the former employee said. “It’s a glorified emergency room with a mental health floor.”

Community does offer an emergency room, psychiatry and a staff of hospitalists who can treat nausea, perform basic surgery and address some chest pain issues.

With about 100 beds, Richmond Community treats 32,000 patients annually in its ER and 1,700 in inpatient care. It’s unclear how many the hospital treated before services were stripped out.

Assessments of the community’s health needs showed that Church Hill required greater investment in behavioral health and emergency room services, both of which Bon Secours enhanced in recent years, said Jenna Green, a spokesperson for the system.

Underutilized services were moved to other facilities in the system to ensure residents’ needs are met close to home, Green added.

Two Bon Secours executives disputed the allegation that the system has neglected poor patients.

“We have a robust history of addressing key social, disparity and infrastructure factors that negatively affect people who are poor and uninsured, and it is simply wrong to assume or suggest that we would ever act in a way that does not live up to our mission,” said Paul Smith, interim president of Bon Secours Richmond, and Dr. Peter Charvat, chief clinical officer.

“To imply, as the article has, that we don’t operate in full support of our important mission is without merit.”

‘I’m going to St. Mary’s’

Stephanie Sumpter, a 64-year-old resident of Church Hill, is diabetic and sometimes faces issues with her blood sugar. But when she needs to see a doctor, she goes to St. Mary's Hospital. She doesn't know if Community has the ability to treat her, even though it's just blocks from her house.

"Anything major, I'm going to St. Mary's," she said.

Five years ago, when Sumpter broke her ankle, she was transferred to St. Francis, and she noticed how much nicer it is than Community. St. Francis has a waterfall in its atrium, an Italian-style tower near the parking lot and electronic bird noises along sidewalks with louvered roofs.

According to census data, residents near St. Francis have a median household income that's roughly \$40,000 higher than those near Richmond Community. The Midlothian residents also live, on average, 10 years longer.

Other residents near Community said they had good experiences when they visited. Doctors and nurses were capable and nice. But they said the hospital lacks anything more than the basic amenities the community needs.

The Rev. Ben Campbell, a former member of the hospital's community advisory board, said Bon Secours had systemically underfunded Richmond Community after opening Memorial Regional Medical Center in 1998.

"It's just disgusting to me," Campbell, a civil rights activist and the founder of the Richmond Hill spiritual retreat center in Church Hill, said in an interview on Wednesday. "They just put no money into the place."

Bon Secours purchased Richmond Community Hospital in 1995. At that time, Bon Secours-Richmond Health Corp. owned St. Mary's and Stuart Circle Hospital (a Fan District

building that now contains residences). But it had been collaborating for two years with Richmond Community, then struggling with declining patient loads and income, to expand access to medical care.

Campbell said he believed that Bon Secours initially focused on its charitable mission at Richmond Community, but he said the company ultimately invested more of its resources at Memorial Regional. As a result, staffing and patient business declined at Richmond Community, he said, as many people in the neighborhood chose to go to VCU Medical Center instead.

“Nobody who had any discretion would go there because they didn’t staff it,” he said of Community. “They said they couldn’t get doctors to go to the East End because it was too dangerous.”

Because Community was originally a Black hospital, many Richmond residents considered the care inferior, said one former employee. Older patients saw it as a place to go to die.

The staff worked to overcome those perceptions, but the divesting of services eventually made restoring the hospital’s reputation impossible.

“They never made it a viable hospital,” Campbell said.

Richmond Mayor Levar Stoney is asking the U.S. Department of Health and Human Services to investigate Bon Secours and misuse of the federal program that allows the system to buy discounted drugs and resell them at higher rates.

“Inadvertent loopholes have been utilized, increasing profit margins for the hospital system while they have reduced services in one of our predominantly Black hospitals,” Stoney said. “It is immoral to profit off the backs of Black and brown

residents under the guise of 'health care,' and it must cease immediately.”

\$22M in capital investment

Workers in neon vests and hard hats hauled supplies this week into the East End medical office building construction site adjacent to Community. The addition is scheduled to open by the end of the year.

The new two-story building will house a behavioral health partial hospitalization program, which will act as a transition for patients with mental health and substance abuse disorders who are discharging from an inpatient setting, said Green, the Bon Secours spokesperson.

The expansion also will house community care, pastoral care, a behavioral health intake and response team, hospice and home health. It will employ more than 90 full-time staffers and is part of \$22 million worth of capital improvements to the hospital, including upgrades to mammography and a new magnetic resonance imaging room — the old MRI went down for seven weeks this summer, The Times reported.

Bon Secours also has worked to fund bus shelters, food programs, affordable housing and health education, Green said.

“Our vision for the hospital is that it remains a place of hope and of healing for the patients and their families that we serve,” Green said. “We are steadfast in our commitment to addressing health disparities, the social determinants of health and environmental factors that impact our communities and, disproportionately so, the poor and uninsured.”

It's been a decade since Bon Secours promised the construction of the East End medical office building as part of a lucrative land deal with the city of Richmond.