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Catholic health care plan in Arizona under review

Jerry Filteau | Feb. 11, 2011

A statue of St. Joseph and the Christ Child is seen in 2009 outside the entrance of St. Joseph's Hospital and Medical Center in Phoenix. (CNS)

The Catholic hospitals in Arizona provide managed health care to qualified poor people under a state Medicaid program called the Mercy Care Plan -- a plan that is now under severe church scrutiny.

In December, Bishop Thomas J. Olmsted of Phoenix challenged Mercy Care, saying that under it Catholic facilities are providing, or at least formally cooperating in providing, abortion and other family-planning services that are prohibited by the U.S. Catholic bishops? ?Ethical and Religious Directives for Catholic Health Care Facilities.?

The directives are normative for Catholic health care in the United States.

Olmsted decreed that St. Joseph?s Hospital and Medical Center in Phoenix can no longer call itself Catholic because in 2009 it performed an operation that he and his advisors consider a direct abortion and because he has judged that its involvement in the Mercy Care Plan over many years violates several of the bishops? directives.

Lisa Contreras, a media spokeswoman for the Carondelet Health Network in the Tucson diocese, told *NCR* in late January that the Carondelet network and Catholic Healthcare West -- the two Catholic health systems that sponsor Mercy Care Plan -- are now engaged in discussions with both state and church authorities on how they can better separate their sponsoring role in Mercy Care from the state?s (and federal government?s) requirements that Medicaid cover some services barred by Catholic teachings on medical ethics.

St. Joseph?s is the flagship hospital in the Phoenix diocese of San Francisco-based Catholic Healthcare West, a three-state system sponsored by the Sisters of Mercy of the Americas. The Carondelet Health Network is the southern Arizona (Tucson diocese) part of a national health care network sponsored by the Sisters of St. Joseph of Carondelet.

When Olmsted declared St. Joseph?s no longer Catholic in December, Fr. John Ehrich, director of medical ethics for the Phoenix diocese, told *The Catholic Sun*, the diocesan newspaper, that learning about the Mercy Care Plan was the ?tipping point? in the bishop?s decision to decree that the hospital could no longer call itself Catholic.

At issue in practice is some $1 billion a year in Medicaid services provided to Arizona?s poor by the two Catholic systems -- the largest nonprofit health care providers in the state.

Of that money, according to Mercy Care Plan, only a third of 1 percent goes to family-planning services, all of which are separately administered by a non-Catholic third party and completely separated financially from the Catholic institutions that form Mercy Care Plan.

But it was the principle of cooperation in evil as a sponsor of the plan, not the amount or percentage of money involved or how it was administered, that caused Olmsted to revoke the ?Catholic? designation from St. Joseph?s, according to his diocesan newspaper.

?Through its involvement in the Mercy Care Plan, the bishop said [Catholic Healthcare West] has been responsible for a litany of practices in direct conflict with Catholic teaching. These include: contraceptive counseling, provision of various forms of contraception, voluntary sterilization, and abortions ?due to the mental or physical health of the mother or when the pregnancy is the result of rape or incest,? ? reported *The Catholic Sun*.

While the Catholic health institutions involved in the Mercy Care Plan do not perform those services themselves, Contreras said that in a recent review ?the sponsors of the plan recognized there probably needed to be even greater separation with regard to contracting with a third-party administrator of coverage for any procedures that are in conflict with the [Ethical and Religious Directives].?

?Mercy Care representatives are now working expeditiously to address Mercy Care Plan?s federal and state requirements for Medicaid coverage, while complying with the sponsors? commitment to operate in accord with? the directives, she said.

The Carondelet Health Network, formed by the Sisters of St. Joseph of Carondelet, is a system of five acute-care hospitals and a number of clinics and medical offices in the Tucson diocese. Along with St. Joseph?s and other Catholic Healthcare West facilities in the Phoenix diocese, it serves Medicaid patients through the Mercy Care Plan.

Both systems have their roots in some of the earliest pioneer hospitals established in Arizona by Catholic nuns in the late 1800s. They are by far the largest nonprofit health care providers in the state.

In an e-mail response to an *NCR* inquiry originally directed to Bishop Gerald Kicanas of Tucson, which he passed on to the Carondelet Health Network, Contreras said she could not address many specific *NCR* questions about Mercy Care because they are currently under negotiation. However, she provided extensive background to the current controversy.

The major national issue in Phoenix over the past year has been whether or not St. Joseph?s Hospital conducted a direct abortion, as alleged by Olmsted and his advisors, or a morally acceptable indirect abortion, as maintained by the hospital and its advisors.

Olmsted in December raised a second issue, whether St. Joseph?s was following the bishops? directives in light of its participation in Mercy Care Plan.

Contreras said Mercy Care Plan is ?a Medicaid not-for-profit managed care program that has been in existence for more than 20 years. It was formed in 1985 by Carondelet Health Network and St. Joseph?s Hospital and Medical Center in Phoenix.?

When the program was formed, she added, the Catholic hospital sponsors saw Mercy Care Plan as ?an important extension of the Catholic mission to serve the poor and persons with special needs.?

?As a state Medicaid plan, Mercy Care Plan does not directly provide health care to members; instead, it contracts with physicians and other health care providers to deliver care,? she said.

She noted that federal law and state requirements mandate that ?Medicaid plans include coverage of certain reproductive procedures which are in conflict with traditional Catholic values? -- but said the Catholic facilities in Mercy Care do not provide those services.

Contreras traced the current problem to 1997, when Arizona?s Medicaid program -- the Arizona Health Care Cost Containment Systems, or AHCCCS (pronounced ?access?) -- quit contracting ?directly with providers to provide coverage for those reproductive procedures? that Catholic hospitals could not provide.

When the state agency ?discontinued direct administration? of those procedures, she said, ?Mercy Care presented a plan to Arizona Catholic leaders and the AHCCCS for engaging a third-party administrator for family planning and any other procedures inconsistent with its sponsors? Catholic values. A third-party administrator began providing coverage for these procedures in October 1997. A third-party arrangement has existed ever since.?

AHCCCS oversees Medicaid coverage of some 1.3 million Arizonans at an annual cost of more than $9 billion. Mercy Care Plan covers about 10 percent of those persons.

Contreras emphasized that none of the Medicaid-funded procedures that conflict with the bishops? directives ?are allowed in any Carondelet Health Network facility? and none of the funding for them goes to or through Carondelet. ?The third-party administrator is paid directly by the state and those funds are distributed directly to the physicians and facilities that provide those procedures,? she said.

St. Joseph?s president, Linda Hunt, has also emphasized that all reproductive services mandated under federal law and state statutes for Medicaid care that are not in accord with Catholic teaching are handled by third-party administrators, with no administrative or financial involvement by her hospital.

On its Web site, St. Joseph?s presents basic facts on the Mercy Care Plan and the degree of its involvement since 1997 in Medicaid third-party family planning services after Arizona discontinued direct state administration of those services and turned over the administration of those services to health care providers.

?None of the AHCCCS funds for family-planning services are received by or handled by Mercy Care Plan,? it said, ?nor are any of the family-planning services performed by St. Joseph?s Hospital.?

It indirectly acknowledged, however, as Contreras did in her e-mail, that the current arrangement is in need of review, to decide ?whether changes were needed to make this separation more distinct.?

?The goal is to find a way to address the federal and state requirements, while complying with the Catholic Ethical and Religious Directives,? the St. Joseph?s Web site said.

[Jerry Filteau is *NCR* Washington correspondent.]

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