

# Community Benefit: The Problem with Under-Reporting

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# Who Cares What We Report?

## ◆ Not-for-Profit Watchdogs

- ◆ Sen. Charles Grassley

- ◆ Local & National Media

  - ◆ Mainstream

  - ◆ Non-traditional (Propublica, slate.com, etc.)

- ◆ Property Appraisers

- ◆ Insurers

- ◆ Big Pharma

- ◆ Unions

- ◆ Greenlining



BRIDGES TO HEALTH

# INSUFFICIENT DATA

DO CENTRAL VALLEY NOT-FOR-PROFIT HOSPITALS  
MEET THEIR COMMUNITY BENEFIT OBLIGATIONS?

Kerry Sakimoto • Bridges to Health Fellow    Anthony Galace • Bridges to Health Director

Hospital	Total 2012 Operating Expenses	Total CB \$ in Upstream for Vulnerable Populations	% of Total Operating Expenses for Upstream
Kaiser – Fresno	Data not available	\$1.25m	Data not available
Dignity – Mercy	\$236.8m	\$1.1m	0.47%
Dignity – Bakersfield	\$267.6m	\$2.18m	0.81%
<b>Adventist – Hanford/Selma</b>	<b>\$211.5m</b>	<b>\$6,619</b>	<b>0.00%</b>
<b>Adventist – Reedley</b>	<b>Data not available</b>	<b>\$0</b>	<b>Data not available</b>
<b>Adventist – Central Valley</b>	<b>\$86.8m</b>	<b>\$6,268</b>	<b>0.01%</b>
St. Agnes Medical Center	\$399.7m	Data not available	Data not available
Community Medical Centers	1,152.4b	Data not available	Data not available
<b>Total Average</b>	<b>\$2.344b</b>	<b>\$4.55m</b>	<b>0.32%</b>

*Just what are these “upstream solutions?”*



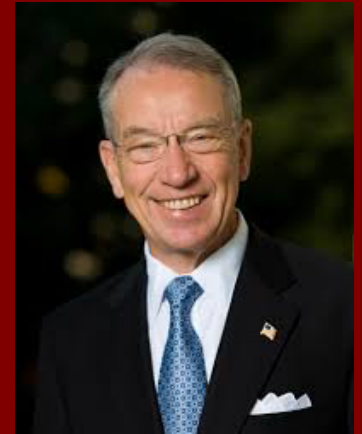
# Greenlining Summary

- ◆ Central Valley NFPs invested just 0.32% of their 2012 operating expenses in **upstream solutions for vulnerable populations**.
- ◆ **Adventist Hanford & Selma** combined spent <0.001% of their operating budgets on these upstream investments, the lowest in the study.
- ◆ Kaiser Hospital-Fresno & **Adventist Reedley** do not disclose their total operating budgets.
- ◆ Greenlining Agenda: racial & economic justice

# Federal Scrutiny

## Sen. Charles Grassley

- ◇ 2005 – Letter to 10 hospitals: justify tax exemptions
- ◇ 2006 – Senate Finance Hearing on Community Benefit
- ◇ 2007 – Revised Form 990
- ◇ 2009 – **New Schedule H** & report on value of tax-exempt bonds
- ◇ 2010 – **Affordable Care Act**
- ◇ 2011 – Grassley asked Congress to calculate exemption value
- ◇ 2012 – **Commission on Accountability & Policy for Religious Organizations**  
[www.religiouspolicycommission.org](http://www.religiouspolicycommission.org)
- ◇ 2013 – Senate Finance Hearing on Charge Master
- ◇ **May 2016** – Grassley letter to Senate Finance re Mosaic billing & collection practices
- ◇ **June 2016** – Grassley letter to IRS asking for hospital “**accountability**” updates



# The New Villains?

## ◆ Hospitals: The new villains in the story of American healthcare?

◆ “The real villains in the American health care system are greedy hospitals and the politicians who protect them.

◆ “Hospitals Are Robbing Us Blind”



◆ “Whether you’re for Obamacare or against it, you can’t afford to ignore the fact that America’s hospitals have become **predatory monopolies.**”

# The Bitter Pill



UPMC is an example of “how nonprofit hospitals have become hard-charging **big businesses**.”

“...the UPMC system bought up area hospitals to create a massive provider network & health insurance plan that competes with insurer **Highmark**.”

“The goal for UPMC was **complete domination** of the local health care market.”

# What our Critics Say

Issue	Accusation
Executive Compensation	<ul style="list-style-type: none"><li>✓ The UMPC CEO was paid \$6.55m in 2013.</li><li>✓ The hospital had a 1.3% margin that year.</li><li>✓ The POTUS makes just \$750,000.</li></ul>
Consolidation	<ul style="list-style-type: none"><li>✓ Big mergers are driving up costs &amp; threatening free markets.</li></ul>
Owned Physicians	<ul style="list-style-type: none"><li>✓ Owned physicians refer patients to imaging and other services located at hospitals – this costs more. This takes away patient choice.</li></ul>



# “Healthcare is not Wealthcare”

- ◆ “UPMC ordered to reinstate workers who tried to unionize”
- ◆ “\$2.5m settlement in overbilling case a slap on the wrist”
- ◆ “A 2012 lawsuit portrayed a neurosurgery practice in which operations were made needlessly complex to drive up reimbursement.”
- ◆ “Payday at UPMC: Top 27 earners get \$47.5 million, **nearly half of UPMC charity care expenditures**”



*A tale of two **hospital** closures:  
Braddock & East Cleveland*

# What our Critics Say

Issue	Accusation
Charitable Purpose	✓ Charity Care is the only measure of tax-exemption.
Value of Exemptions	✓ <b>We don't give back the value of our tax exemptions.</b>
Tax-exempt Bonds	✓ We get special treatment & unfair tax advantages.
“Big Business”	<ul style="list-style-type: none"><li>✓ We pay blue-collar wages.</li><li>✓ We close inner-city &amp; unprofitable facilities.</li><li>✓ “...America's hospitals have become predatory monopolies. We have to break them before they break us” by driving up costs.</li></ul>

# (Non)Profit Hospitals: Charity Pays



*“The lavish party netted the hospital \$780,000 – barely a quarter of the CEO’s salary.”*

“Tickets started at \$500. A lucky reveler went home with a \$125,000 Lexus Luxury Hybrid Sedan, donated for the occasion.

“It was the nonprofit Cedars-Sinai Medical Center’s annual Board of Governors Gala at the Beverly Hilton Hotel.”



# What our Critics Say

Issue	Accusation
Charges	<ul style="list-style-type: none"><li>✓ Our charges are outrageous &amp; unfair.</li><li>✓ Hospitals make money off of people's backs.</li></ul>
Charges for Uninsured	<ul style="list-style-type: none"><li>✓ We rip off uninsured people.</li><li>✓ No one else has to pay the full charge.</li></ul>
Billing & Collections	<ul style="list-style-type: none"><li>✓ We have harsh collection policies that harass poor people and garnish their wages.</li></ul>

# When Nonprofit Hospitals Sue Their Poorest Patients

“On the eastern edge of St. Joseph, Mo., lies the small city's only hospital, a landmark of modern brick and glass buildings.




“Everyone in town knows Heartland Regional Medical Center – many residents gave birth to their children here. Many rush here when they get hurt or sick.”



*And there's another reason everyone knows this place: Thousands of people around St. Joe have been sued by the hospital & had their wages seized to pay medical bills.*

# What our Critics Say

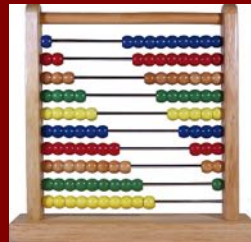
Issue	Accusation
Local tax exemptions	<ul style="list-style-type: none"><li>✓ Local governments are hurting for money.</li><li>✓ Hospitals get tax breaks at the expenses of the citizens.</li><li>✓ PA, CN, MA, NH, IL &amp; others</li></ul> 
PILOTS	<ul style="list-style-type: none"><li>✓ Hospitals, universities, etc. should have to pay for Fire and other services like everyone else.</li></ul>
UBIT	<ul style="list-style-type: none"><li>✓ We own money-making facilities that are open to the public – not just patients.</li></ul>

# Hospitals lose tax exemption

- ◆ New Jersey – Morristown Medical Center
- ◆ Illinois
  - ◆ Provena
  - ◆ Northwestern Memorial
  - ◆ Edward Hospital
  - ◆ Decatur Memorial

# Questions to Consider

- ◆ What are your vulnerabilities?
- ◆ Do you have a consistent platform & message?
- ◆ How do your stakeholders perceive you?



# Are We Counting What We Do?

- ◆ “Community Benefit Other”
  - ◆ Community health improvement
  - ◆ Community-based clinical services
  - ◆ Community Benefit operations
  - ◆ Health professions education
  - ◆ Subsidized health services
  - ◆ Research losses
  - ◆ Cash & in-kind donations

**Take the  
30% Challenge!**

*One AHS Facility:  
-\$0 to \$1.555m in  
one year*

*32%  
System  
Improvement  
2011-2014*

# 10 of The Richest Tax-Exempt Organizations

- |                 |                              |
|-----------------|------------------------------|
| 10. Churches    | 5. The Smithsonian Institute |
| 9. Hospitals    | 4. American Bar Association  |
| 8. Universities | 3. Susan G. Komen Foundation |
| 7. YMCA         | 2. The NCAA                  |
| 6. Goodwill     | 1. The NFL                   |



**Thank You!**