

Executive Charity

Major Non-Profit Hospitals Take Advantage of Tax Breaks and Prioritize CEO Pay Over Helping Patients Afford Medical Care

Introduction

In 2007, Carrie Barrett needed a heart catheterization after experiencing chest pain and shortness of breath.¹ She went to a Methodist Le Bonheur (“Methodist”) hospital in Memphis, Tennessee, and walked out with the needed procedure completed and a \$12,019 bill for her medical stay.² Ms. Barrett made less than \$12 an hour and had no hope of paying back that bill. But the hospital not only refused to help Barrett afford her bill, it instead piled on interest and sent the bill to collections. By June 2019, Ms. Barrett owed over \$33,000, nearly three times the original cost of the procedure and more than twice what she earned in a year.³

Stories like Ms. Barrett’s are far too common. But they are even more egregious when the hospital is a non-profit that is required to be “organized and operated exclusively for charitable purposes.”⁴ Nearly half of American hospitals are non-profits, a status that affords them an incredible benefit: exemption from federal, state, and local taxation.⁵ In 2020, the nation’s 2,978 non-profit hospitals receive an estimated \$28 billion in federal, state, and local tax benefits as a result of not paying those taxes—an average of \$9.4 million per hospital.⁶ One study also found that tax breaks accounted for 44 percent of non-profit hospitals’ net income in that same year.⁷

In return for the tax benefits, the federal government requires those hospitals to operate for the public benefit by providing a set of community benefits, which includes ensuring low-income individuals receive medical care for free or at significantly reduced rates—a practice known as “charity care.”⁸ The Patient Protection and Affordable Care Act (commonly known as the ACA) added additional community benefit requirements, including stipulating that hospitals must maintain a publicly available financial assistance program and prohibiting hospitals from taking “extraordinary collection actions” against patients who are eligible for charity care, such as selling a patient’s debt to a third party, placing a lien on a patient’s property, or starting other legal proceedings against the patient.⁹

As Ms. Barrett’s case shows, hospitals have gladly accepted the tax benefits that come with non-profit status but have failed to provide the required community benefits. Non-profit hospitals spent only an estimated \$16 billion on charity care in 2020, or about 57 percent of the value of their tax breaks in the same year.¹⁰ Those hospitals have made information about their charity care programs difficult to access, leaving many patients unaware that they may qualify for free or discounted care.¹¹ Some hospitals also aggressively try to collect from patients through practices that verge on extraordinary collection practices. One recent study found that in 2017, non-profit

hospitals billed \$2.7 billion to patients who were likely eligible for charity care.¹² At a time when a record number of Americans report delaying medical care due to high costs, those choices from well-resourced hospitals ensure that future patients, including those who qualify for charity care, will hesitate before they seek necessary care out of a fear of accruing medical debt.¹³ That is unacceptable.

Some hospital systems are especially egregious. This report, compiled by Majority Staff for Chair Bernard Sanders of the United States Senate Committee on Health, Education, Labor, and Pensions (HELP Committee), considers 16 of the largest non-profit hospital systems. Most of those systems have failed to provide sufficient levels of charity care while they collect the benefits of tax exemptions and provide significant compensation packages to their senior executives. Those hospitals' failure to provide much needed care in the midst of an ongoing crisis of affordability in medical care should not be tolerated by the United States Congress.

Non-profit Hospitals Fail to Meet the Critical Need for Medical Care

In 2022, about one in seven Americans delayed or went without hospital services due to high costs.¹⁴ These delayed hospital services could include surgeries, diagnostic testing, and a range of highly specialized treatments. Those delays create much higher risks of more serious conditions, worse health outcomes, and higher costs for patients.¹⁵

Non-profit hospitals could play a significant role in delivering necessary care to Americans while also satisfying their charity care obligations. Instead, these hospitals continue to hoard their resources to the detriment of the patients they claim to be committed to serving. Committee staff reviewed tax documents for 16 major non-profit hospital chains that each take in more than \$3 billion in revenue annually.¹⁶ Twelve of the 16 dedicate less than two percent of their total revenue to charity care, including three of the nation's five largest non-profit hospital chains.¹⁷ Of those twelve, six dedicate **less than one percent** of their total revenue to charity care.¹⁸

In recent years, non-profit hospitals have provided less charity care even as these hospitals saw a steady increase in their revenues and operating profits. One study found 86 percent of non-profit hospitals spent less on charity care than they received in tax benefits between 2011 and 2018.¹⁹ Another recent study found that non-profit hospitals increased their average operating profit by more than 36 percent, from about \$43 million to almost \$59 million, between 2012 and 2019.²⁰ In the same time period, the hospitals almost doubled the cash balances they held in reserve, from an average of about \$133 million to more than \$224 million.²¹ Those additional operating profits and reserve funds were not used to help those most in need: in the same time period, average charity care spending *dropped* from just \$6.7 million to \$6.4 million.²²

While these hospitals provide woefully insufficient care to the patients most in need, they provide massive salaries to their top executives. In 2021, the most recent year for which data is available for all of the 16 hospital chains, those companies' CEOs averaged more than \$8 million in compensation and collectively made over \$140 million.²³ CommonSpirit Health led the way, with a combined \$32 million compensation package for the outgoing and incoming CEOs.²⁴ In the same year, the company spent only 1.5 percent of its revenue on charity care.²⁵

Some systems provided particularly extensive compensation packages. Allina Health System (“Allina”), based in Minneapolis, Minnesota, paid its CEO a salary in 2021 that amounted to more than one-fifth—21 percent—of the total charity care provided by the hospital system to all of the patients who walked through the doors of its more than 100 hospitals.²⁶ New York Presbyterian Hospital paid its CEO \$10.9 million in 2021 while providing just \$68.5 million in charity care—an amount that is just 0.7 percent of the hospital system’s nearly \$10 billion in revenue.²⁷ New Jersey’s Robert Wood Johnson Barnabas Health system paid its CEO more than 18 percent of what it spent on charity care in 2021.²⁸ While those three are especially appalling, just over half of the hospitals reviewed by HELP Committee staff provided their CEO with a 2021 salary that was more than 6 percent of their total outlay for charity care.²⁹

Failing to Provide Charity Care Causes Serious Medical and Financial Harm

The failure to provide sufficient charity care results in real harm for patients. Most egregiously, Allina is among those hospitals with a policy of denying medical care to patients who have unpaid medical bills.³⁰ Under its policy, Allina blocked employees from scheduling future appointments for patients who had outstanding bills exceeding \$4,500.³¹ Even when patients entered into payment plans, Allina blocked them from making appointments until the entire debt was cleared.³² These practices result in patients being denied needed care, including children who could not receive the necessary medical forms to enroll in day care or school.³³ Allina imposed this policy while spending only 0.3% of its revenue on charity care and paying its CEO more than \$3.5 million.³⁴ Only after extensive reporting detailing Allina’s practices did the hospital change its policies.³⁵

In addition to denying care, non-profit hospitals take steps to garnish wages and place liens on personal assets, even as they fail to provide charity care to eligible patients.³⁶ In September 2022, the *New York Times* reported on the aggressive tactics that Providence St. Joseph Health (“Providence”), one of the nation’s largest non-profit health systems, employed to squeeze money out of patients. In 2019, Providence paid consulting firm McKinsey & Company at least \$45 million to develop a program called “Rev-Up” to train employees on how to solicit money from all patients irrespective of whether they were entitled to free or discounted care.³⁷ One employee detailed being sent to the bedside of sick patients to ask for money and being required to document in the patient’s chart that they had pushed for payment. Shortly after these tactics were unveiled by the *New York Times*, Providence began issuing refunds to roughly 700 Medicaid patients who should have received free care.³⁸ Additionally, in February 2022, Providence was sued by the state of Washington alleging that the company used deceptive billing practices to force payments out of low-income patients in violation of state law. Meanwhile, Providence’s revenue surpassed \$27 billion in 2021 in the same year that the company’s charity care fell below 1% of their revenue.³⁹

Providence is not alone in its practice of employing aggressive debt collection tactics against low-income patients rather than ensuring eligible patients are aware of and receive charity care. Methodist, the non-profit hospital where Ms. Barrett received care, relentlessly pursued payments from other low-income patients, despite the non-profit’s nearly \$2.1 billion in revenue in 2019.⁴⁰ Recent reporting found that the hospital system took aggressive steps to go after patients who could not afford care, including adding high interest rates to outstanding debt so

that it grew far beyond the original bill (as Ms. Barrett’s case demonstrated), sending bills to collection, and even routinely garnishing the wages of its own employees who had been patients of the hospital.⁴¹ The health system even took the extraordinary step of acquiring a licensed collection agency to more effectively go after patients for unpaid bills.⁴² After public outcry, the hospital changed its policies.⁴³

Charity Care Requirements Must Be Strengthened to Justify Continued Tax Breaks

Both Congress and the Internal Revenue Service (IRS) must hold non-profit hospitals accountable for the benefits they reap and their moral obligation to serve as pillars of accessible health care in their communities. Federal law currently sets no “floor” regarding the amount of financial assistance a non-profit hospital must provide to low-income patients, or the total amount of community benefit, including charity care, a non-profit hospital must provide to maintain its non-profit status.⁴⁴ This means that non-profit hospitals can largely decide on their own how much—or, too often, how little—charity care they provide.

Congress should take steps to ensure that these hospitals are offering charity care at levels consistent with the enormous tax breaks they receive. Tax breaks could be limited to the value of community benefits the hospital provides. Texas provides an example of this kind of structure. Under the state’s law providing hospitals with a tax exemption, one option for hospitals is to provide community benefits that amount to at least five percent of the hospital’s net patient revenue, including a requirement that charity care and government-sponsored health care account for at least four percent of net patient revenue.⁴⁵

Congress should also establish clear, enforceable standards for non-profit hospital financial assistance programs. Oregon already requires non-profit hospitals to provide subsidized care to patients earning up to 400 percent of the federal poverty level, and requires that patients earning below 200 percent of this amount receive free care.⁴⁶ Congress should also require hospitals to determine whether a patient is eligible for such assistance and provide it, regardless of whether the patient proactively requests information on financial assistance programs or charity care. In addition, lawmakers should impose further restrictions on non-profit hospitals engaging in the kinds of extraordinary debt collection processes discussed in this report.⁴⁷

Congress should also define the community engagement necessary to justify a hospital’s non-profit status. Under the ACA, non-profit hospitals are required to conduct community health needs assessments (CHNAs) to identify key health concerns for those living in the surrounding areas.⁴⁸ In developing these CHNAs, non-profit hospitals are required to solicit input from underserved, low-income, and marginalized communities but are not required to address the concerns they hear.⁴⁹ Congress should require non-profit hospitals to specifically address the needs raised by community members, which could be achieved in part by encouraging partnerships with other community resources or health care providers to ensure patients can access free or discounted services.

Even without congressional action, the IRS could address the administrative gaps that allow non-profit hospitals to benefit off of the people they are failing to help. First, increasing transparency in the reporting of community benefit data will be crucial in identifying the scope of the problem

and how to adequately address it.⁵⁰ Currently, non-profit hospitals are mandated to file a Schedule H in their Form 990 detailing, amongst other things, the community benefits they provide. Unfortunately, the form is inconsistent and unclear in the way it asks for information, leading to incomplete reporting and inaccurate data. In addition, providing this information for each hospital, rather than the total across massive hospital systems with hundreds of facilities, would allow for a more detailed look at how much each facility is actually giving back to their community.⁵¹ This is especially important for specifically understanding how each hospital is providing charity care. This requirement would not be particularly burdensome, as non-profit hospitals already collect and report facility-level data in order to conduct CHNAs and develop an implementation plan.

Conclusion

Non-profit hospitals are given tax-exempt status so they can serve the public good—not price gouge patients in dire need of health care. These hospitals cannot be permitted to continue to hide the availability of financial assistance programs or ignore patients' eligibility for fundamental care while ruthlessly pursuing collections in favor of their bottom line. The disparities between the paltry amounts these hospitals are spending on charity care and their massive revenues and excessive executive compensation demonstrates that they are failing to live up to their end of the non-profit bargain.

Appendix 1 – Hospital Revenue, Charity Care, and CEO Compensation Table⁵²

FY2021	Revenue	Cost of Charity Care	Percent of Revenue Spent on Charity Care	CEO Compensation
CommonSpirit Health	\$ 33,253,000,000	\$ 507,000,000	1.525%	\$ 32,012,621
Providence St. Joseph	\$ 27,328,000,000	\$ 271,000,000	0.992%	\$ 4,047,525
Ascension Health	\$ 27,237,431,000	\$ 493,781,000	1.813%	\$ 13,018,632
Massachusetts General Brigham Inc.	\$ 15,996,303,000	\$ 66,215,000	0.414%	\$ 4,286,146
Cleveland Clinic Hospital	\$ 12,440,692,000	\$ 185,000,000	1.487%	\$ 6,622,576
Banner Health	\$ 12,358,871,000	\$ 140,879,000	1.140%	\$ 12,383,710
New York Presbyterian Hospital	\$ 9,859,491,000	\$ 68,561,000	0.695%	\$ 10,937,130
Memorial Hermann Hospital System	\$ 6,924,973,000	\$ 385,095,000	5.561%	\$ 6,335,197
Montefiore Medical Center	\$ 6,446,765,000	\$ 84,408,000	1.309%	\$ 8,322,648
The Methodist Hospital	\$ 6,411,326,000	\$ 516,100,000	8.050%	\$ 3,960,027
Cedars-Sinai Medical Center	\$ 5,827,075,000	\$ 47,047,000	0.807%	\$ 6,123,097
Robert Wood Johnson Barnabas Health	\$ 5,809,995,362	\$ 95,812,380	1.649%	\$ 17,343,442
Northside Hospital	\$ 5,517,006,000	\$ 277,575,000	5.031%	\$ 2,943,307
Allina Health System	\$ 4,858,742,000	\$ 16,800,000	0.346%	\$ 3,534,838
Orlando Health	\$ 4,646,941,000	\$ 177,100,000	3.811%	\$ 5,379,910
Baptist Healthcare	\$ 3,885,975,000	\$ 35,831,000	0.922%	\$ 3,342,956

¹ Wendi C. Thomas, *The Nonprofit Hospital That Makes Millions, Owns a Collection Agency and Relentlessly Sues the Poor*, PROPUBLICA (June 27, 2019), <https://www.propublica.org/article/methodist-le-bonheur-healthcare-sues-poor-medical-debt>.

² *Id.*

³ *Id.*

⁴ 26 U.S.C 501(c)(3); *see also* Internal Revenue Serv., *Charitable Hospitals - General Requirements for Tax-Exemption Under Section 501(c)(3)* (July 13, 2023), <https://www.irs.gov/charities-non-profits/charitable-hospitals-general-requirements-for-tax-exemption-under-section-501c3>.

⁵ *Id.*; Jessica Silver-Greenberg, *How Nonprofit Hospitals Put Profits Over Patients*, N.Y. TIMES (Jan. 25, 2023), <https://www.nytimes.com/2023/01/25/podcasts/the-daily/nonprofit-hospitals-investigation.html>.

⁶ James Godwin, et al., *The Estimated Value of Tax Exemption for Nonprofit Hospitals Was About \$28 Billion in 2020*, KAISER FAMILY FOUND. (Mar. 14, 2023), <https://www.kff.org/health-costs/issue-brief/the-estimated-value-of-tax-exemption-for-nonprofit-hospitals-was-about-28-billion-in-2020/>; *See also* Am. Hosp. Assoc., *Fast Facts on U.S. Hospitals*, 2023, <https://www.aha.org/statistics/fast-facts-us-hospitals> (last accessed Sept. 22, 2023).

⁷ Godwin, *supra* note 6.

⁸ Emily Gee & Thomas Waldrop, *Policies to Hold Nonprofit Hospitals Accountable*, CTR. FOR AM. PROGRESS (Oct. 18, 2022), <https://www.americanprogress.org/article/policies-to-hold-nonprofit-hospitals-accountable/>; *see also* Zachary Levinson, Scott Hulver & Tricia Neuman, *Hospital Charity Care: How It Works and Why It Matters*, KAISER FAMILY FOUND. (Nov. 3, 2022), <https://www.kff.org/health-costs/issue-brief/hospital-charity-care-how-it-works-and-why-it-matters>.

⁹ 26 U.S.C 501(r)(4), (6); Internal Revenue Serv., *Billing and Collections – Section 501(r)(6)* (Jul. 13, 2023), <https://www.irs.gov/charities-non-profits/billing-and-collections-section-501r6>.

¹⁰ Godwin, *supra* note 6.

¹¹ *See* Christopher Goodman et al., *Comparison of US Hospital Charity Care Policies Before vs After Onset of the COVID-19 Pandemic*, 5 JAMA NETWORK OPEN 1, 7 (Sept. 27, 2022), <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2796731>.

¹² Jordan Rau, *Patients Eligible for Charity Care Instead Get Big Bills*, KFF HEALTH NEWS (Oct. 14, 2019), <https://kffhealthnews.org/news/patients-eligible-for-charity-care-instead-get-big-bills>.

¹³ *See* Megan Brenan, *Record High in U.S. Put Off Medical Care Due to Cost in 2022*, GALLUP (Jan. 17, 2023), <https://news.gallup.com/poll/468053/record-high-put-off-medical-care-due-cost-2022.aspx>.

¹⁴ Alex Montero et al., *Americans' Challenges with Health Care Costs*, KAISER FAMILY FOUND. (July 14, 2022), <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs>.

¹⁵ *More Employees Deferring Care May Mean Higher Costs for Employers*, UnitedHealthcare (April 4, 2023), <https://www.uhc.com/employer/news-strategies/resources/more-employees-deferring-care-may-mean-higher-costs-for-employers>.

¹⁶ HELP Committee majority staff analysis based on Allina Health System Financial Audit and Form 990 (2021); Ascension Health Financial Audit and Form 990 (2021); Banner Health Financial Audit and Form 990 (2021); Baptist Healthcare Financial Audit and Form 990 (2021); CommonSpirit Health Financial Audit and 2021 Form 990; Cedars-Sinai Hospital Form 990 (2021); Cleveland Clinic Hospital Financial Audit and Form 990 (2021); Massachusetts General Brigham Financial Audit and Form 990 (2021); Memorial Hermann Hospital System Financial Audit and Form 990 (2021); The Methodist Hospital Form 990 (2021); Montefiore Medical Center Financial Audit and Form 990 (2021); New York Presbyterian Hospital Financial Audit and Form 990 (2021); Northside Hospital Financial Audit and Form 990 (2021); Orlando Health Financial Audit and Form 990 (2021); Providence St. Joseph Notes to Financial Statements and Form 990 (2021); Robert Wood Johnson Barnabas Health Form 990 (2021) and New Jersey Department of Health Calendar Year (CY) 2021 Documented Charity Care (DCC) Report, https://www.nj.gov/health/hcf/documents/CY2021_DCC_Report.pdf (April 2023).

¹⁷ *Id.*; *See also* *Largest Nonprofit Hospital Systems*, DEFINITIVE HEALTHCARE (May 31, 2023), <https://www.definitivehc.com/resources/healthcare-insights/largest-nonprofit-hospital-systems>.

¹⁸ HELP Committee majority staff analysis, *supra* note 16.

¹⁹ Hossein Zare, Matthew D. Eisenberg & Gerard Anderson, *Comparing the Value of Community Benefit and Tax-Exemption in Non-profit Hospitals*, 57 HEALTH SERVS. RSCH. 270, 270 (Apr. 2022), <https://onlinelibrary.wiley.com/doi/full/10.1111/1475-6773.13668>.

²⁰ Derek Jenkins & Vivian Ho, *Nonprofit Hospitals: Profits and Cash Reserves Grow, Charity Care Does Not*, 42 HEALTH AFFAIRS 866, 868 (June 2023), <https://www.healthaffairs.org/doi/epdf/10.1377/hlthaff.2022.01542>.

²¹ *Id.*

²² *Id.*

²³ HELP Committee majority staff analysis, *supra* note 16.

²⁴ HELP Committee majority staff analysis based on COMMONSPIRIT HEALTH, *supra* note 16.

²⁵ *Id.*

²⁶ HELP Committee majority staff analysis based on ALLINA HEALTH SYSTEM, *supra* note 16.

²⁷ HELP Committee majority staff analysis based on NEW YORK PRESBYTERIAN HOSPITAL, *supra* note 16.

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- ²⁸ HELP Committee majority staff analysis based on ROBERT WOOD JOHNSON BARNABAS HEALTH, *supra* note 16.
- ²⁹ HELP Committee majority staff analysis, *supra* note 16.
- ³⁰ Sarah Kliff & Jessica Silver-Greenberg, *This Nonprofit Health System Cuts Off Patients With Medical Debt*, N.Y. TIMES (June 1, 2023), <https://www.nytimes.com/2023/06/01/business/allina-health-hospital-debt.html>.
- ³¹ *Id.*
- ³² *Id.*
- ³³ *Id.*
- ³⁴ HELP Committee majority staff analysis based on ALLINA HEALTH SYSTEM, *supra* note 16.
- ³⁵ Jessica Silver-Greenberg & Katie Thomas, *Nonprofit Health System Ends Practice of Denying Care to Patients in Debt*, N.Y. TIMES (Aug. 24, 2023), https://www.nytimes.com/2023/08/24/health/allina-health-medical-debt.html?utm_source=briefing&utm_medium=email&utm_campaign=health_am&utm_content=082523.
- ³⁶ Gee & Waldrop, *supra* note 8.
- ³⁷ Jessica Silver-Greenberg & Katie Thomas, *They Were Entitled to Free Care. Hospitals Hounded Them to Pay*, N.Y. TIMES (Dec. 15, 2022), <https://www.nytimes.com/2022/09/24/business/nonprofit-hospitals-poor-patients.html>.
- ³⁸ Jessica Silver-Greenberg & Katie Thomas, *Hospital System to Refund Poor Patients Who Were Entitled to Free Care*, N.Y. TIMES (Oct. 4, 2022), <https://www.nytimes.com/2022/10/04/business/providence-hospital-poor-patients.html>.
- ³⁹ HELP Committee majority staff analysis based on PROVIDENCE ST. JOSEPH, *supra* note 16.
- ⁴⁰ Thomas, *supra* note 1.
- ⁴¹ *Id.*
- ⁴² Wendi C. Thomas, *Methodist Le Bonheur Makes Millions, Owns a Collection Agency and Relentlessly Sues the Poor*, MLK50: JUSTICE THROUGH JOURNALISM (June 27, 2019), <https://mlk50.com/2019/06/27/methodist-le-bonheur-makes-millions-owns-a-collection-agency-and-relentlessly-sues-the-poor>.
- ⁴³ *Profiting from the Poor: Methodist Le Bonheur Healthcare and Debt Collection*, MLK50: JUSTICE THROUGH JOURNALISM, <https://mlk50.com/profitting-from-the-poor/> (last accessed September 22, 2023).
- ⁴⁴ See Julia James, *Nonprofit Hospitals' Community Benefit Requirements* (Health Affairs and Robert Wood Johnson Foundation, Feb. 25, 2016), <https://www.healthaffairs.org/doi/10.1377/hpb20160225.954803/full/> (“The new ACA requirements do not include a specific minimum value of community benefits that a hospital must provide to qualify for tax-exempt status.”); U.S. Gov’t Accountability Office, GAO-20-679, OPPORTUNITIES EXIST TO IMPROVE OVERSIGHT OF HOSPITALS’ TAX-EXEMPT STATUS, at 12 (2020) (“the [Internal Revenue Code], and IRS’s implementation of it, provides tax-exempt hospitals with broad latitude to determine the nature and amount of community benefits they provide”) (hereinafter “Gov’t Accountability Office”).
- ⁴⁵ Tex. Tax Code Ann. § 11.1801(a)(4); Tex. Health and Safety Code Ann. § 13.115(b)(1)(C).
- ⁴⁶ Rebecca Tiel, *What Oregon’s New Hospital Charity Care Law Means for You*, OUR HEALTH OREGON (Sep. 17, 2019), <https://ourhealthoregon.org/news/what-oregons-new-hospital-charity-care-law-means-for-you>.
- ⁴⁷ Gee & Waldrop, *supra* note 8.
- ⁴⁸ Community Health Assessments & Health Improvement Plans, CENTERS FOR DISEASE CONTROL & PREVENTION, <https://www.cdc.gov/publichealthgateway/cha/plan.html> (Nov. 25, 2022).
- ⁴⁹ Gee & Waldrop, *supra* note 8.
- ⁵⁰ Gov’t Accountability Office, *supra* note 44.
- ⁵¹ *Id.*
- ⁵² All information in the chart drawn from HELP Committee majority staff analysis, *supra* note 16.