

Community with high medical debt questions its hospitals' charity spending

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As 41% of American adults face medical debt, residents of this southern Colorado city contend their local nonprofit hospitals aren't providing enough charity care to justify the millions in tax breaks they receive.

The two hospitals in Pueblo, Parkview Medical Center and Centura St. Mary-Corwin, do not pay most federal or [state taxes](#). In exchange for the tax break, they are required to spend money to improve the health of their communities, including providing free care to those who can't afford their medical bills. Although the hospitals report tens of millions in annual community benefit spending, the vast majority of that is not spent on the types of things advocates and researchers contend actually create community benefits, such as charity care.

And this month, four U.S. senators called on the Treasury's inspector general for tax administration and the Internal Revenue Service to evaluate nonprofit hospitals' compliance with tax-exempt requirements and provide information on oversight efforts.

The average [hospital](#) in the U.S. spends 1.9% of its operating expenses on charity care, according to an analysis of 2021 data by Johns Hopkins University health policy professor Ge Bai. Last year, Parkview provided 0.75% of its operating expenses, about \$4.2 million, in free care.

Centura Health, a chain of 20 tax-exempt hospitals, reports its community benefit spending to the [federal government](#) in aggregate and does not break out specific numbers for individual hospitals. But St. Mary-Corwin reported \$2.3 million in charity care in fiscal year 2022, according to its state filing. The filing does not specify the [hospital's](#) operating expenses.

The low levels of charity care have translated into more debt for low-income residents. About 15% of people in Pueblo County have medical debt in collections, compared with 11% statewide and 13% nationwide, according to 2022 data from the Urban Institute. Those Puebloans have median [medical debt](#) of \$975, about 40% higher than in Colorado and the U.S. as a whole. And all of those numbers are worse for people of color.

"How far into debt do people have to go to get any kind of relief?" said Theresa Trujillo, co-executive director at the Center for Health Progress' Pueblo office. "Once you understand that there are tens of millions of dollars every single year that hospitals are extracting from our communities that are meant to be reinvested in our communities, you can't go back from that without saying, 'Oh my gosh, that is a thread we need to pull on.'"

Trujillo is organizing a group of fed-up residents to engage both hospitals on their community benefit spending. The group of at least a dozen residents believe the hospitals are ignoring the needs identified by the community—things like housing, addiction treatment, behavioral health care, and youth activities—and instead spending those dollars on things that mainly benefit the hospitals and their staffs.

For the fiscal year ending June 2022, with total revenue of \$593 million, Parkview reported \$100 million in community benefit spending. But most of that—more than \$77 million—represented the difference between the hospital's cost of providing care and what Medicaid paid for it.

IRS guidelines allow hospitals to claim Medicaid shortfall as a community benefit, but many academics and health policy experts argue such balance sheet shifts aren't the same as providing charity care to patients.

Parkview also reported \$4.7 million for educating its medical staff and \$143,000 in incentives to recruit health professionals as community benefit. The hospital spent only \$44,000 on community health improvement projects, which appear to have consisted mainly of launching a new mobile app to streamline appointments and referrals.

Meanwhile, the hospital recently spent \$58 million on a new orthopedic

facility and \$43 million on a new cancer center. Parkview also wrote off \$39 million in bad debt in fiscal 2022, although that is different from charity care. The bad debt is money the hospitals tried to collect from patients and ultimately decided they'd never get. But by that time, those patients would likely have been sent to collections and potentially had their credit damaged. And outstanding debt often keeps patients from seeking other needed care.

There is a disconnect between what the community said its biggest health needs were and where Parkview directed its spending. The hospital's community needs assessment pegged access to care as the top concern, and the hospital said it launched the phone app in response.

The second-largest perceived health need was addressing alcohol and drug use. Yet, the only initiative Parkview cited in response was posting preventive health videos online, including some on alcohol and drug use. Meanwhile, the hospital shut down its inpatient psychiatric unit.

Parkview declined to answer questions about its charity care spending, but hospital spokesperson Todd Seip emailed a statement saying the hospital system "has been committed to providing extensive charity care to our community."

Seip noted that 80% of Parkview's patients are covered by Medicare or Medicaid, which pay lower rates than commercial insurance. The hospital posted a net loss of \$6.7 million in the 2022 [fiscal year](#), although its charity care wasn't appreciably higher in previous years in which it posted a net gain.

Centura St. Mary-Corwin reported \$16 million in Medicaid shortfall and \$2 million in medical staff education in 2022, according to its state filing. The hospital spent about \$38,000 for its community health improvement projects, primarily on emergency medical services

outreach programs in rural areas. The hospital provided another \$96,000 in services, mainly to promote COVID-19 vaccination.

Centura also declined to answer questions about its charity care spending. Hospital spokesperson Lindsay Radford emailed a statement saying St. Mary-Corwin was aligning its community health needs assessment process with the Pueblo Department of Public Health and Environment "to develop shared implementation strategies for our community benefit funds, ensuring the resources are targeting the highest needs."

Trujillo questioned how the hospital has conducted its community health assessments, relying on a social media poll to identify needs. After community members identified 12 concerns, she said, hospital leaders chose their priorities from the list.

"They talk about a community garden like they're feeding the whole south side of the community," Trujillo said. The hospital established a community garden in 2021, with 20 beds that could be adopted by residents to grow vegetables. Trujillo did praise the hospital for converting part of its building into dorms for a community college nursing program.

Trujillo's group has spent much of the summer researching hospital charity spending and showing up at public meetings to have their views heard. They are working to gain seats on hospital and other state boards that influence how community benefit dollars are spent, and are urging hospitals to reconfigure their boards to better represent the demographics of their communities.

"We've made folks now aware that we want to be a part of those processes," Trujillo said. "We're willing to help them reach deeper into the community."

Tax-exempt hospitals have been under increased state scrutiny for their charitable spending, especially after the Affordable Care Act and Medicaid expansion drove down the uninsured rate. That in turn cut the amount of care hospitals had to provide without being paid, potentially freeing up money to help more people without insurance or with high-deductible plans.

In Colorado, hospitals' charity care spending and bad debt write-offs dropped from an average of \$680 million a year in the five years prior to the ACA being fully implemented in 2014 to an average of \$337 million in the years after, according to the Colorado Healthcare Affordability and Sustainability Enterprise Board, a state advisory group.

In states like Colorado, which used federal funding to expand the number of people covered by Medicaid, hospitals shifted more of their community benefit spending to cover Medicaid reimbursement shortfalls.

A January report from Colorado's Department of Health Care Policy & Financing concluded that payments from public and private health plans help the state's hospitals make more than enough money to offset lower Medicaid rates and still turn a profit while providing more true charity care.

Colorado has enacted two bills in the past five years to increase the transparency of hospitals' charitable efforts with new reporting requirements.

"I think overall, we're pleased with the amount of money that hospitals are reporting they spent," said Kim Bimestefer, the executive director of the Department of Health Care Policy & Financing. "Is that money being expended in meaningful ways, ways that improve [health](#) and well-being of the community? Our reports right now can't determine that."

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