



FOR IMMEDIATE RELEASE  
May 30, 2006

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## **REPORT ACKNOWLEDGES HOSPITALS PROVIDE COMMUNITY BENEFITS MORE THAN FIVE TIMES THEIR TAX-EXEMPT VALUE**

*Leading hospital associations blast report's motive and methodology*

Naperville and Chicago – The Illinois Hospital Association (IHA) and Metropolitan Chicago Healthcare Council (MCHC) today called on policymakers, the news media and the public to view with skepticism a report that attempts to estimate the tax-exemption values of 21 hospitals and health systems in Cook County and compare them with the cost of the charity care provided by those hospitals.

The associations, which represent some 200 hospitals and health systems in the Chicago area and across the state, called into question the flawed methodology and incomplete data used in the report issued by the Center for Tax and Budget Accountability and funded by the Service Employees International Union (SEIU).

Even with its flaws, the report contains information that clearly shows hospitals provide benefits to the communities they serve that far exceed the value of their tax exemptions. According to the report's figures, the aggregate value of the hospitals' community benefits amount to \$1.59 billion or more than five times the value of their tax exemptions.

Furthermore, the report fails to take into account the hospitals' Medicaid shortfall – the substantial difference between what the government pays hospitals and their actual costs for treating low-income and disabled patients. It is widely accepted and the report's authors acknowledge that providing care to Medicaid patients is a charitable service. The report also states at least one-half of a hospital's bad debt is for care provided to patients who qualify for charity care. So, even using a very narrow measure, the combination of the hospitals' charity care, Medicaid shortfall and half of bad debt exceeds their tax-exempt value by nearly \$100 million.

“This is a politically motivated report bought and paid for by SEIU, which is engaged in a campaign to discredit hospitals as it tries to organize hospital workers,” said Illinois Hospital Association President Ken Robbins. “We are disappointed that the Center allowed itself to be manipulated for the union's political purposes and produced a biased report that substantially ignores the reality of the exemplary work that hospitals do to serve their patients and communities and to merit their tax-exempt status.”

“Try as they might to manipulate the data to support their pre-ordained results, the report's authors cannot hide the truth that hospitals are giving their communities far more than the value of their tax exemptions,” said Metropolitan Chicago Healthcare Council President Kevin Scanlan.

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The basic premise of the report – comparing state and local tax exemptions of the 21 hospitals and health systems to the charity care they provided – is incorrect. No Illinois court opinion has ever stated that charity care is the only measure for qualifying for tax exemption. In determining whether a property meets the test of use for “charitable purposes,” the Illinois Supreme Court has applied a six-factor test, including relieving the burdens of government, which hospitals clearly do.

The report’s authors used an inconsistent data methodology to develop an estimate of the value of the hospitals’ tax-exempt status, resulting in an inflated estimate. For example, they applied the City of Chicago’s 9 percent sales tax rate to all hospital supplies, even though a one percent rate actually applies to prescription drugs – which can account for as much as half of a hospital’s supply line – as well as to food and consumable medical supplies. They also applied the City of Chicago’s 9 percent sales tax rate to all the hospitals studied, even to those located outside the city, which are subject to a lower sales tax rate.

“The correct test for tax exemption is community benefits,” said Robbins. “Not-for-profit hospitals across Illinois provide many benefits to their communities – well beyond charity care and government-sponsored health care such as Medicaid and Medicare. Those community benefits would not be available were it not for these hospitals, which provide money-losing services such as trauma care, neonatal intensive care, and burn units.”

Earlier this spring, IHA and MCHC released a joint report on community benefits provided by hospitals in Cook County. Collectively, the 52 hospitals that filed community benefit reports with the Attorney General’s Office as of March 31 had provided more than \$2 billion in community benefits in 2004. Statewide, some 104 hospitals have reported community benefits totaling \$3.6 billion. The reports are filed under the Illinois Community Benefits Act, which was enacted by the General Assembly in 2003 to provide more accountability and disclosure about the many benefits that hospitals provide to their communities.

“Tax-exempt hospitals respond to a wide range of specific needs in their communities, including caring for the poor, educating and improving the health of the public, and providing a health care safety net for all in case of illness or injury,” said Scanlan. “In addition, hospitals are committed to assisting patients who may not have the means to pay for their care, including providing free care to those who qualify for charity care or helping them enroll in All Kids, KidCare, FamilyCare, Medicaid or Medicare.”

“There has been a longstanding partnership between hospitals and government that hospitals provide critically needed health care services to everyone to protect the health and well-being of communities,” said Robbins. “That is why hospitals have been and should be exempt from taxes.”

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Editor’s note: [Attached are two charts](#) – comparing the estimated tax-exemption value of the hospitals studied in the CTBA report with 1) the value of their total community benefits; and 2) their combined charity care, Medicaid shortfall and 50% of bad debt figure (measured at cost).

The Illinois Hospital Association, with offices in Naperville and Springfield, represents 200 hospitals and health systems and the patients and communities they serve. The Metropolitan Chicago Healthcare Council is a membership and services organization comprising more than 140 hospitals and health systems working together to improve the delivery of health care throughout the metropolitan Chicago region. For more information, see IHA’s web site, [www.ihatoday.org](http://www.ihatoday.org), and MCHC’s web site, [www.mchc.org](http://www.mchc.org).