

Daily Herald

All charity care should be considered

June 3, 2006

A dispute over Illinois hospitals' tax-exempt status that began as the spring legislative session opened and subsided as it ended is being stoked again by a new study critical of not-for-profit hospitals.

The study, by the Chicago-based Center for Tax and Budget Accountability, says that 20 Chicago-area hospitals it studied are enjoying tax breaks that far exceed — some by three to four times — the amount of charitable care they provide.

And while this study focused only on hospitals in Cook County, its implications go further. The legislative debate ignited when Illinois Attorney General Lisa Madigan pushed for legislation that would have required all of the state's not-for-profit hospitals to provide charitable care equal to 8 percent of their operating costs or risk losing their not-for-profit status.

This is not the arcane struggle that it may seem at first glance. Taxpayers who enjoy no sweeping exemptions have an interest in seeing that any institution benefiting from tax-exempt status actually deserves that status. And residents served by not-for-profit hospitals have an interest in those hospitals keeping their doors open — which means remaining financially viable.

While some not-for-profit hospitals may well be falling short of their charitable care obligations, that's difficult to determine from either the attorney general's approach, with its arbitrary figure of 8 percent, or this report. The critics' case has been compromised, and made difficult to fully assess, because it gives inadequate credit to hospitals for the charitable benefits that they do provide.

The new report, for example, insists that hospitals should not be allowed to fully count as charitable care portions of bills that they write off only after failed attempts to collect payment. There's nothing charitable about it, the Center for Tax and Budget Accountability argues, if hospitals first subject patients to collection efforts.

Sure, patients would rather not be hassled for payment at all. But as the report acknowledges, hospitals sometimes have trouble gleaning enough information when a patient checks in to judge whether he or she has the financial resources to pay. And as the report also acknowledges, from a hospital's perspective, an unpaid bill looks the same on the bottom line whether the hospital first tries to collect or not.

Another shortcoming of this report is that hospitals are not fully credited for shortfalls in state Medicaid reimbursements. The Illinois Hospital Association says that the state's average Medicaid reimbursement is a little over 80 percent, which means hospitals end up eating about 20 percent of costs on Medicaid care. That, too, should be fully counted as charitable care.

Yes, hospitals have an obligation to earn their not-for-profit status, and some may not be doing that. But they merit broader credit for what they do provide now. And, any effort aimed at hospitals should be accompanied by an equally vigorous campaign to get the state to meet its Medicaid obligations in a more complete and timely way.

