Nonprofit Hospitals Reaping Far More in Tax Benefits Than They Sow in Providing Charity

California

Look who’s the one receiving charity! A new report released in August by the research arm of the California Nurses Association/National Nurses United revealed that California’s nonprofit hospitals are cashing in on $1.8 billion more in tax exemptions in 2010 than they provide in care for indigent or low-income populations—a finding that calls into question whether the tax-exempt status of these hospital chains is deserved or just a scam. Another report by the state auditor issued the same month also highlighted the lack of requirements, standards, and methodology in calculating what community benefits hospitals are providing in exchange for not having to pay taxes. Other organizations have reported that some for-profit hospitals are actually providing more charity care than not-for-profit ones. Clearly, the state of California and local counties are losing millions in revenue from these entities that could help with their budget crises and preserve critical programs.

A special committee of the Senate, chaired by Sen. Ellen Corbett, convened on Aug. 15 to tackle this problem and to begin considering possible fixes. CNA urged the committee to propose legislation that would set minimum amounts of charity care hospitals must deliver to maintain their tax-exempt status (CNA suggested 8 percent of a hospitals’ combined operating and non-operating revenues); clearly define what constitutes charity care (some hospitals have justified the expense of building parking lots toward that goal); require greater reporting requirements; and prohibits hospitals that do not meet these standards from issuing tax-exempt bonds.

“We have hospitals in California who are nonprofit hospitals that are not stepping up to the plate,” said Corbett during a rally by RNs after the hearing. She said earlier at the hearing, “We need to make sure they are meeting their obligations to the larger community.”

These tax benefits came in the form of

The $1.8 Billion Windfall for California Non-Profit Hospitals

<table>
<thead>
<tr>
<th>Source/Method</th>
<th>Total Tax Benefits (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Income Taxes on Net Income</td>
<td>$1,628,939,581</td>
</tr>
<tr>
<td>State Income Taxes on Net Income</td>
<td>252,410,569</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>369,982,515</td>
</tr>
<tr>
<td>Federal Income Taxes on Charitable Contributions</td>
<td>240,876,041</td>
</tr>
<tr>
<td>State Income Taxes on Charitable Contributions</td>
<td>43,544,746</td>
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<tr>
<td>Sales Taxes</td>
<td>701,082,464</td>
</tr>
<tr>
<td>Bonds</td>
<td>34,778,174</td>
</tr>
<tr>
<td>Total Taxes and Other Benefits for Non-profits</td>
<td>$3,271,614,090</td>
</tr>
<tr>
<td>Less Total Charity Care PROVIDED</td>
<td>($1,428,513,583)</td>
</tr>
</tbody>
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$1,843,100,507

PROFITS OVER CHARITY CARE

The Top Six

[Table showing the top six nonprofit hospitals and their profit margins over charity care provided, including Federal Income Taxes on Net Income, Charity Care Exempt, and Net Income for each hospital.]

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NATIONAL NURSE 5
hospitals provided 2.46 percent or less of their operating budget on charity care.

Since they provide so little charity care, and many of the nonprofit hospitals are virtually indistinguishable from for-profit ones in terms of the millions of dollars they pay their executives in compensation and in the billions of earnings they post each year, critics are charging that these organizations are abusing the goodwill that comes with their “nonprofit” status and label.

“If these hospitals are nonprofit, I have a third eye and a toe growing out of my forehead. That’s how outrageous these terms are,” said Carol Majesky, an interventional radiology RN at UC Davis Medical Center.

Studies by the state auditor and other organizations echo these findings. Grant Parks, principal auditor for the California State Auditor, testified during the hearing that, “for lack of a better phrase, it’s like the Wild West in terms of what is required” of nonprofit hospitals to justify their tax-exempt status. Board of Equalization member Betty Yee, who also testified, found that while researching this issue there was inconsistent reporting across hospitals and was concerned that there was “not a level playing field” with for-profit hospitals. Dr. Ellen Shaffer, codirector of the EQUAL Health Network of the Center for Policy Analysis, noted during her testimony that other states have the power to revoke tax-exempt status for not meeting certain levels of charity care. All who spoke at the hearing supported much tighter regulation of and reporting by nonprofit hospitals of the community benefit they are providing in exchange for the tremendous tax benefits they receive.

Cathy Dennis, an RN on the CNA/NNU board of directors and at nonprofit hospital chain Dignity Health, put the issue into larger perspective for the RNs at the rally. “It’s not just about charity care, but about serving the needs of the community,” said Dennis. “It’s not about making money, it’s about taking care of our patients, and we have to always remember that.” —Staff report

To see more charts outlining the study’s key findings and to access a copy of the study, please visit http://www.nationalnursesunited.org/press/entry/new-report-california-non-profit-hospitals-save-billions-while-providing/

California RNs Urge Yes on 30, No on 32

This summer and fall, California Nurses Association RNs have identified two initiatives on the November ballot that are crucial to the future of the state, and are throwing their efforts behind passing one and defeating the other.

Nurses have endorsed Proposition 30, which would raise billions of dollars to prevent deep cuts for public schools and other services by slightly raising taxes on the state’s wealthiest and on the state sales tax, and are opposing Proposition 32, which would prevent unions and their members from having a strong voice in politics mainly by prohibiting payroll deductions for political activity.

“We know that our families cannot succeed unless our schools have teachers, unless colleges are affordable, unless healthcare is obtainable, unless libraries stay open, and unless neighborhoods stay safe,” said Deborah Burger, an RN copresident of CNA and National Nurses United, during a press conference nurses held to announce their support of Prop. 30. “This initiative puts the state’s priority back on what matters: our future, our families, our neighborhoods.”

Proposed by Gov. Jerry Brown, Proposition 30 would increase income taxes on households making more than $500,000 and individuals making more than $250,000, and raise the state sales tax by 0.25 percent. It is expected to raise $9 billion the first year, and about $6 billion every year after that. The measure expires after seven years.

“For those who have been blessed the most, it’s only right, and I think the way to go, to say give some back, temporarily, for the next seven years, until our economy finally gets back after the mortgage meltdown, where we lost so much revenue, 23 percent,” said Gov. Brown, who made an appearance at the nurses’ press conference. He noted that those who would be affected by the tax had increased their share of California’s total income from 9 to 22 percent.

“The people we’re asking to pay [for the tax] can well afford it.”

Frank Jernigan agrees. A retired San Francisco software engineer who made millions off his last position at Google, he strongly supports Prop. 30. “I’m now in the