



**American Hospital
Association**

Liberty Place, Suite 700
325 Seventh Street, NW
Washington, DC 20004-2802
(202) 638-1100 Phone
www.aha.org

**AHA Statement for the Roundtable
on the Senate Finance's Minority Staff Discussion Draft**

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Chairman Grassley, on behalf of the American Hospital Association, and my organization, the Billings Clinic in Montana, I would like to thank you for the opportunity to participate in today's roundtable discussion on issues affecting hospitals, specifically your discussion draft. The AHA represents nearly 5,000 member hospitals, health care systems, networks, and other providers of care, and 37,000 individual members.

I am Nicholas Wolter, M.D., CEO of the Billings Clinic, a fully integrated health system in Billings, Montana. The Clinic is a 272-bed hospital and a 225-physician group practice, as well as a nursing home and a research center. We also manage seven critical access hospitals in Montana and Wyoming. I serve as a second term MedPAC Commissioner, am a member of the AHA Board of Trustees, and also serve on the Board of the American Medical Group Association.

As the AHA made clear in its earlier written comments, the proposals contained in the minority staff draft are problematic. The issue at the heart of that document, and at the heart of our nation's health care challenge, is the need for a national policy which would help supply affordable health insurance to the more than 47 million Americans currently without.

For the purposes of the roundtable, I would like to focus my remarks on the important role of tax-exempt hospitals and why an arbitrary charity care threshold, such as the one in the minority draft, would not fully promote the kind of care communities need.

In my view, hospitals do more to serve underinsured and uninsured people than any other health care sector. Statistics released last week show that in 2006 alone, hospitals provided more than \$31 billion in uncompensated care and nearly \$30 billion more to cover Medicare and Medicaid shortfalls, based on the cost of care, not charges. In addition, many hospitals support services for the community that they must subsidize, such as mental health services, geriatrics, chronic disease management, inner city and rural primary care clinics, and many others. At the same time, hospitals provide countless billions more in benefits to their communities through programs and activities that are tailored to those communities in order to promote better health. These would be activities such as emergency preparedness, research and medical education, breast cancer screening, transitional housing, immunization programs, and many more, all depending on the unique needs of the communities that hospitals serve.



Although accountability, numbers, and transparency are very important, they do not entirely capture all of the benefits that hospitals provide to their communities. The AHA “Care in Action” brochure captures just a sampling of the countless hospital supported programs that have had a huge impact on people’s lives.

My organization, the Billings Clinic, experiences what many other hospitals around the country experience. In Montana, 20 percent of our residents are uninsured. The Billings Clinic spent nearly \$12 million this past year to take care of more than 4,300 patients who couldn’t afford the cost of their care. We spent an additional \$18.6 million related to Medicare and Medicaid shortfalls, and had another \$8 million in patient bad debt. We also spent nearly \$5 million on community health education and research and on health professions education. In total, the Clinic provided our Montana communities with nearly \$57 million in benefit – and that counts only activities we can reduce to dollars and cents. Our mission is to take care of people, and that care does not always happen within the walls of a hospital. Often it occurs at home, within a school, a business, a homeless shelter...the list goes on. And while transparency is important and we certainly support it, transparency is no substitute for truly understanding what a tax-exempt hospital means to its community. We are very concerned that the imposition of a rigid threshold for charity care as a condition for tax exemption will not capture the many contributions that hospitals make to those they serve. Charity care is one very important component of what hospitals do for their communities. Recognizing and supporting the other myriad benefits that hospitals supply is critical as well.

For example, take children’s hospitals. Despite being committed to their communities and to taking care of any sick child who comes to them, virtually no independent children’s hospital in the nation would be able to meet a 5 percent charity threshold. This is because so many poor children are covered by Medicaid. As a result, while children’s hospitals devote 50 percent of their care to poor children, most of that spending shows up as Medicaid underpayments and as part of other activities to either take care of sick children or to prevent children from becoming sick. Children’s hospitals are very much meeting their community obligations through the right mix of care and services for their unique patients.

We believe that concerns about transparency around community benefit can largely be addressed by the kind of uniform reporting possible with a well-designed Schedule H – the Internal Revenue Service’s proposed annual reporting form for hospitals. We expect that policy makers, at all levels of government and community involvement, will be able to use an annual reporting form to better understand their hospitals, programs, and priorities. And while no form can tell the entire story, it can provide some context for communities to ask hospitals questions about whether the programs and activities being supported meet their unique needs.

I very much believe that hospitals need to continue their efforts to achieve community accountability and transparency. The AHA is in the process of publishing a comprehensive guide to assist hospitals in their efforts. It contains guidelines and policies for hospitals on billing, collection, tax-exempt status, and community health.

Those of us involved in hospital care are very committed to treating all patients equitably and with compassion, to serving the emergency needs of everyone, regardless of ability to pay, and to assisting patients who cannot pay for part or all of the care they receive.

This is hard work and does require dedication and resources. Many of our communities do have unique needs for which we are also developing solutions. In addition to charity care, many of these health promotion activities are extremely important.

As I have mentioned, underlying the current discussion is a very large and very real problem: our nation's underinsured and uninsured. The AHA is working with other national organizations to further develop a framework that can address this national health coverage crisis and improve health and health care for all people in this country.

I would be pleased to answer any questions.

Thank you.