SUBJECT: Non-profit hospital charity obligations

COMMITTEE: Public health — committee substitute recommended

VOTE: 7 ayes — Berlanga, Hirschi, Coleman, Glaze, Janek, Maxey, Rodriguez

0 nays

2 absent — Delisi, McDonald

WITNESSES: For — Charles Bailey, Texas Hospital Association; Hannah Riddering; Anne Heiligenstein, Texas Conference of Catholic Health Facilities; Jack Gullahorn, Prebyterian Health Care System; Steve Montgomery, Harris-Methodist Health Care System

Against — None

On — Lisa McGiffert, Consumers Union; Ann Henry, Texas Department of Health

BACKGROUND: Last session the Legislature enacted amendments to the Health and Safety Code and Tax Code establishing charity care obligations by nonprofit hospitals for tax exemptions (SB 427 by Ellis). Nonprofit hospitals are required to develop a community benefits plan for serving community indigent health care needs. A nonprofit hospital is required to satisfy its annual community benefits requirement using one of five statutory standards for providing charity and government-sponsored care.

DIGEST: CSHB 3009 would amend the Health and Safety Code to:

• allow nonprofit hospital systems (instead of their individual nonprofit hospitals) to meet community benefits and charity care requirements;

• redefine the calculation of a hospital's cost-to-charge ratio;

• prohibit a hospital or hospital system from changing its fiscal year for the purposes of satisfying charity care calculations unless the hospital or system changes ownership or corporate structure, and

• allow nonprofit hospitals to include in their calculation of rendered charity care the financial support of health care services to an elementary or secondary school in which at least 50 percent of the students qualify for federal school lunch programs or an equivalent economic index.

A hospital system would be defined as a system of local nonprofit hospitals under common governance of a single corporate parent that are located within a radius of not more than 125 linear miles from the corporate parent.

CSHB 3009 also would make conforming and technical amendments to Tax Code requirements for tax-exempt status for nonprofit hospitals. The act would take effect September 1, 1995.

SUPPORTERS SAY:

CSHB 3009 would make necessary changes to existing law to assist hospitals in meeting charity care obligations within a health care market of growing hospital systems and varying community needs.

Some nonprofit hospitals are located in affluent or middle class communities with few demands for direct indigent care hospital services. Also, nonprofit hospital networks often provide needed critical care by transferring patients from their small community hospitals to their larger, urban hospitals. Allowing hospital systems to count charity care they are providing would not remove the obligation to treat indigent patients of an individual nonprofit hospital in the same system.

Health care services provided through schools are a community service and should be recognized. They could reduce long-term health care costs and improve children's health through the provision of cost-effective preventive care or access to a nurse for minor health care problems.

OPPONENTS SAY:

CSHB 3009 would reduce an individual hospital's charity care responsibility to its community by allowing hospitals to count health services indirectly provided to indigent residents as charity care or to exempt them providing charity care to their community if the system with which they are associated meets the charity care standards at a system level.

Hospital charity care efforts should be targeted to improving the provision of needed hospital services to uninsured and impoverished residents. Funding school health care services, whether by paying for school nurses or a special health care program, would be supplying minor primary or preventive services to both insured and uninsured children and could reduce the availability of funds for more expensive in-hospital indigent health care needs.

Allowing hospital systems to assume the charity care responsibilities of an individual hospital would be used to divert an obligation from one community to be filled in another community. For example, a nonprofit charity system headquartered in Austin that has a hospital in Austin could absorb a charity care obligation of another system-affiliated hospital in another county by having its larger hospital in Austin fulfill the system's charity care requirements. The smaller affiliated hospital in the other county would be "off the hook" from providing charity care to its community. Nonprofit hospitals are exempt from local tax bases and, therefore, should be required to contribute back to their communities. As the number and size of hospital systems grow, some rural and suburban communities may lose potential charity care services.

NOTES:

The committee substitute changed the financial support of "nonprofit or public schools" to "elementary or secondary schools with at least 50 percent" of impoverished students to count towards charity care. The committee substitute also added the definition of hospital system and technical and conforming amendments to the Tax Code.