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NONPROFIT, FOR-PROFIT, AND GOVERNMENT HOSPITALS

Uncompensated Care and Other Community Benefits

What GAO Found

Government hospitals generally devoted substantially larger shares of their patient operating expenses to uncompensated care than did nonprofit and for-profit hospitals. The nonprofit groups’ share was higher than that of the for-profit groups in four of the five states, but the difference was small relative to the difference found when making comparisons with the government hospital group. Further, within each group, the burden of uncompensated care costs was not evenly distributed among hospitals but instead was concentrated in a small number of hospitals. This meant that a small number of nonprofit hospitals accounted for substantially more of the uncompensated care burden than did others receiving the same tax preference.

Figure: Average Percent of Patient Operating Expenses Devoted to Uncompensated Care, by Hospital Ownership Type, 2003

Hospitals in the five states—nonprofit, for-profit, and government hospitals—reported providing a variety of services and activities, which the hospitals themselves defined as community benefits. Community benefits include such services as the provision of health education and screening services to specific vulnerable populations within a community, as well as activities that benefit the greater public good, such as education for medical professionals and medical research. GAO was unable to assess the value of these benefits or make systematic comparisons between hospitals or across states.

These observations illustrate a larger point—namely, that current tax policy lacks specific criteria with respect to tax exemptions for charitable entities and detail on how that tax exemption is conferred. If these criteria are articulated in accordance with desired goals, standards could be established that would allow nonprofit hospitals to be held accountable for providing services and benefits to the public commensurate with their favored tax status.


To view the full product, including the scope and methodology, click on the link above. For more information, contact A. Bruce Steinwald at (202) 512-7101.