Felisa Hagins, Political Director
Service Employees International Union, Local 49
HB 3076
March 28, 2019

Testimony to the House Committee on Health Care in support of HB 3076

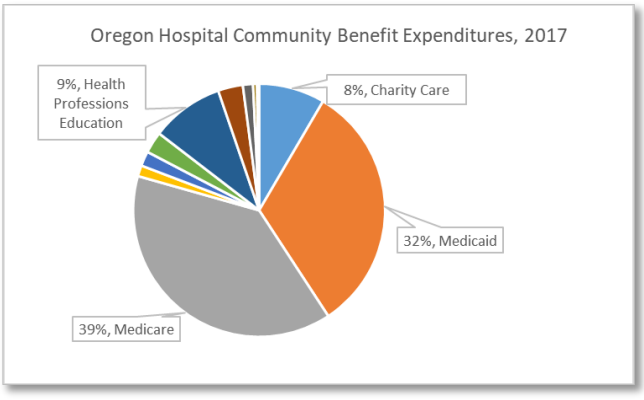
Chair Salinas and members of the Committee,

My name is Felisa Hagins and I am the Political Director for the Service Employees International Union, Local 49. SEIU Local 49 is comprised of healthcare and property service workers throughout Oregon and SW Washington. When combined with SEIU Local 503, we are the largest union in the state representing over 80,000 public and private sector workers. Our mission as a union is to achieve a higher standard of living for our members, their families, and dependents by elevating their social conditions and by striving to create a more just society.

Local 49 represents over 10,000 health care workers at hospitals across the state. Our members are proud of the work that they do and deliver excellent patient care. Many of our members work at hospitals earning significant profits, and some of these members care for patients while they are unable to pay medical bills of their own. On behalf of these members and all Oregonians who struggle to access affordable healthcare, I am here today to testify in support of HB 3076, a bill that will protect Oregonians from burdensome medical debt and ensure that all nonprofit hospitals are truly providing community benefits to justify their tax-exempt-status.

Oregon hospitals have dramatically reduced the amount of charity care they are delivering. In total across the state, Oregon hospitals cut their charity care nearly in half between 2013-2017.[1] Charity care refers to free or discounted *medically-necessary* care for low-income uninsured or underinsured patients. As more patients became insured under the ACA, some decrease in the demand for charity care was expected. In response, Oregon hospitals pledged to maintain expenditure levels of "community benefits." Community benefits differ from charity care in that it is a larger bucket of several categories, which in Oregon includes charity care, health professions education costs, research, shortfalls related to serving Medicaid and Medicare patients, cash and in-kind contributions, subsidized health services, and more. These additional categories of community benefits are increasingly used to justify tax exemptions and therefore are of growing importance.

Community benefits are ill-defined and not closely monitored. The largest community benefit spending categories in Oregon are Medicaid and Medicare "shortfalls" – that is, the difference between Medicare reimbursements and the hospital's *estimated* costs to deliver care. This definition of community benefits, however, is not in alignment with federal standards. The IRS does not consider underpayments related to serving Medicare patients a community benefit. The federal government, via CMS, distributes additional payments to hospitals serving large numbers of Medicare patients. Many Oregon hospitals manage to produce double-digit profits while serving Medicare and/or Medicaid populations.[2]



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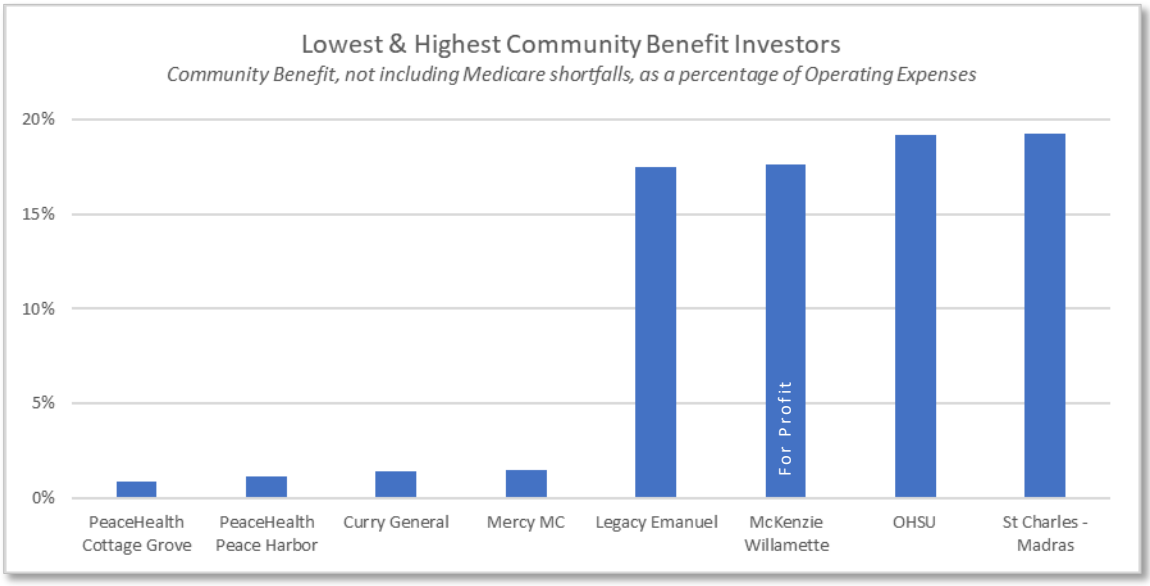
Categories outside of charity care, and Medicaid and Medicare shortfalls are poorly defined and raise questions. For example, is it a community benefit when a health system gives to its own foundations, who in turn give almost all of their funds back to the system's hospitals and facilities? In 2017, Providence Oregon listed $2.7 million in grants to its ten Oregon foundations. In turn, those ten foundations gave $26.1 million, or 94 percent of their grants, back to Providence's eight Oregon hospitals and two related entities.[3] Other hospitals include the direct sponsorship of events, like the Oregon International Airshow,[4] the Oregon Shakespeare Festival and Jacksonville Britt Festival[5], as a portion of their community building activities. Where do those investments fall- are they addressing critical community health needs or are they marketing?

Community Benefits, after excluding Medicare expenses, have decreased at many hospitals. Over half of Oregon's hospitals are investing less in community benefits now than they did prior to passage of the Affordable Care Act. One in three hospitals reduced their community benefit spending by more than 25 percent.[6] We compared community benefit expenditures, minus Medicare shortfalls, as a percent of operating expenditures from 2013 to 2017. We removed Medicare shortfalls from our analysis of community benefit spending in order to more closely align to federal standards.

Hospitals are delivering dramatically different amounts of community benefits, yet all receive tax exemptions. Hospitals are not equally charitable in Oregon. While some hospitals are dedicating over 15 percent of their operating expenses to community benefits, others are spending less than 2 percent. This dramatic variation is unfair to hospitals who spend generously, and unfair to the communities surrounding hospitals that do not.

One might expect Oregon's for-profit hospitals to invest the least in community benefits, given that they do not benefit from any tax exemptions. Yet, a ranking of Oregon hospitals by community benefit expenditures (excluding Medicare shortfalls) as a percent of operating expenses, has *only* non-profit hospitals filling the ranks of the lowest 38 hospitals, out of 60 total.



Note for the figure above: Shriner's Hospital is removed from this comparison. Its operating approach is quite different from other hospitals, as is its outlier community benefit spending (43% of operating expenses in 2017, not including Medicare.)

The value of hospital tax exemptions is large and growing. Hospitals are supposed to provide a measurable benefit to their community in exchange for a long list of tax exemptions. In 2002 the congressional Joint Committee on Taxation estimated the value of the nonprofit hospital tax exemption to be $12.6 billion.

Researchers updated the numbers and estimated that the size of the exemption had nearly doubled by 2011 and was valued at $24.6 billion. This number includes the cost of forgone taxes, public contributions, and the value of tax-exempt bond financing.[7]

Looking at only property tax exemptions, a sliver of the total tax exemption, Oregon officials estimated a value of almost $90 million during the fiscal year 2015-2016 for Oregon hospitals alone.[8] This estimate includes the tax loss and shift for the over 1,000 properties owned by hospitals, addiction and other medical service organizations receiving property tax exemptions under a charitable statute.

Health care is more expensive than ever; patients and communities need assistance. The trade-off between tax exemptions and looking after the health of communities and patients is not working for many Americans. Despite increased insurance levels, health care remains unaffordable for many. Over half of all U.S. workers now have single-coverage with a deductible of at least $1,000, and 26 percent face a deductible of $2,000 or more.[9] Wages have failed to keep pace with the steep rise of health costs; from 2008-2018, average family premiums increased 55 percent, twice the rate of earnings' growth (26 percent), and three times as fast as inflation (17 percent).[10] High out-of-pocket healthcare costs and deductibles are affecting more and more Americans.[11]

This is a problem as medical debt, even when small, can leave lasting and spillover damage on credit reports, affecting people's ability to obtain housing, jobs, and more. Nearly one in five underinsured adults were contacted by a collection agency for unpaid medical bills,[12] and more than 1 in 10 US consumers age 25-40 had a new medical bill sent to collections in 2016, for amounts ranging from about $500-650.[13] This might seem like very little money, but other research finds that 4 in 10 U.S. adults could not easily pay an emergency $400 expense.[14]

It is not surprising then that more than one in four U.S. adults have skipped medical care in the past year because of costs;[15] that number more than doubles among people, with health insurance, who already had medical bill problems.[16] Despite the ever-increasing burdens on patients, hospital prices have continued to increase and health systems have found resources to open and/or acquire new facilities.

Hospitals are growing, opening new places for care and not always taking their mission or financial assistance with them. Here in Oregon, three of our largest hospital systems have used partnerships to dramatically increase their footprint in the urgent care setting. PeaceHealth recently purchased Zoom+, Providence partnered with Walgreen's to open ExpressCare clinics, and Legacy partnered with a TPG Growth-backed company, GoHealth Urgent Care.[17] Neither GoHealth nor ExpressCare websites have any mention of financial assistance.[18] A visitor to one Providence ExpressCare could not locate a single sign about financial assistance availability or staff that could fully explain financial assistance options, yet there was a very visible location to donate cash to the charitable mission of Providence. A visitor to Legacy's GoHealth also located no signs offering help nor any indication that financial assistance options existed. Yet a nonprofit health system's name was clearly on the door. How is the average patient supposed to distinguish between when the Providence or Legacy brand is charitable and when it is not?

HB 3076 requires nonprofit hospitals to each do a minimum, reasonable amount of effective community benefit spending. Seeking to address the wide variation in charitable and community benefit spending across hospitals and health systems, HB 3076 seeks to level the playing field in a reasonable, cooperative process. It assigns the Oregon Health Authority to consider the financial health of a hospital, their previous levels of community benefit spending, and the health needs of the surrounding community; and then work with each hospital or health system to establish a minimum level of community benefit spending in the year to come. Financial safeguards are built in to provide protection from requirements that would negatively impact a

hospital's credit rating. The bill also contains safeguards designed to protect patient's credit ratings (see below.)

Equally important, the bill seeks to strengthen the connection and efficacy of hospital community benefit spending to more closely address social determinants of health. Specifically included in community benefit reports will be disclosure of expenditures of the hospital and affiliated clinics on community benefits, including expenditures on each of the activities that improve the social determinants of health in the community.

HB 3076 protects Oregonians from burdensome medical debt. Unlike other items that consumers can elect to purchase or not, a medical emergency or unexpected diagnosis can force thousands of dollars in unexpected bills on a household in an instant. With the growing number of people who are underinsured, the burden of unaffordable healthcare extends far beyond the uninsured. HB 3076 offers Oregonians protection from extreme medial debt. Recognizing that budgets can be tight, not just for those near the benefit cliff, the bill protects households earning up to 600% FPL from incurring more than 10% of their annual household income in debt. It doesn't provide free care to low-to-middle class families but can insure that a medical tragedy doesn't cause a family to lose their home or go into bankruptcy.

We urge you to support HB 3076 as a means to strengthen the impact of and focus on, nonprofit hospital community benefit dollars. Not only should organizations be held accountable to their missions and nonprofit status, the investments should have maximum impact. Community benefit dollars should protect Oregonians from burdensome medical debt and have a positive impact on the health of communities served. We urge you to address Oregon's health care costs and give patients and communities hope for a healthier future by passing HB 3076.

Thank you for the opportunity to testify. I would be happy to answer any questions.

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Endnotes

[1] All Oregon community benefit, including charity care, data is from the OHA Hospital Community Benefit pivot table 2010-2017, unless otherwise noted: http://www.oregon.gov/oha/HPA/ANALYTICS/Pages/Hospital-Reporting.aspx. SEIU 49 research staff corrected for one apparent mistake in the data: McKenzie-Willamette Medical Center did not report Medicaid shortfall in only year, 2013. Because 2013 is the pre-Medicaid-expansion comparison year, and McKenzie-Willamette is one of only two for-profit hospitals in Oregon, we used the Excel Forecast function to fill in that missing number - $2,127,523.

[2] See the OHA Hospital Financial Data pivot table 2006-2017: http://www.oregon.gov/oha/HPA/ANALYTICS/Pages/Hospital-Reporting.aspx. In 2017, 13 hospitals had at least a 10 percent operating margin.

[3] SEIU 49 analysis of Providence's ten foundations in Oregon, including one for each of the eight hospitals, and the Providence Benedictine Nursing Center Foundation and the Providence Child Center Foundation. This includes Catholic Charities as a donee because that money is used to staff and fund Providence's Employee Assistance Program. Per the IRS Form 990s, Schedule I.

[4] Tuality Healthcare, 2015 IRS Form 990, Schedule H, Part VI, and Schedule I. Tuality gave a cash grant of over $7,000 to the Oregon International Airshow.

[5] Asante, 2016 IRS Form 990, Schedule H, Part VI, notes to Part II. Asante sponsored both the Oregon Shakespearean Festival and Jacksonville Britt Festival.

[6] Shriners not included because it did not report operating expenses in 2013.

[7] Rosenbaum, Sara, David A. Kindig, Jie Bao, Maureen K. Byrnes, and Colin O'Laughlin, "The Value of the Nonprofit Hospital Tax Exemption was $24.6 billion in 2011," *Health Affairs*, Jul. 2015, https://www.healthaffairs.org/doi/10.1377/hlthaff.2014.1424.

[8] $89 million was the estimated tax loss and shift for the over 1,000 properties owned by hospitals, additional and other medical service organizations receiving property tax exemptions under a charitable statute. "Review of Oregon's Property Tax Exemption for Literary, Charitable and Scientific Institutions," Research Report # 3-17, Oregon Legislative Revenue Office, Feb. 2017, https://www.oregonlegislature.gov/lro/Documents/RR%203-17%20Prop%20Tax%20Ex%20for%20Lit%20Charit%20and%20Scientific.pdf.

[9] "Employer Health Benefits Survey 2018, Summary of Findings," Kaiser Family Foundation, Oct. 2018, (Figure F): https://www.kff.org/report-section/2018-employer-health-benefits-survey-summary-of-findings/.

[10] Almost verbatim from "Premiums for Employer-Sponsored Family Health Coverage Rise 5% to Average $19,616; Single Premiums Rise 3% to $6,896," Kaiser Family Foundation, Oct. 2018, https://www.kff.org/health-costs/press-release/employer-sponsored-family-coverage-premiums-rise-5-percent-in-2018/.

[11] Collins, Sara R., Herman K. Bhupal, and Michelle M. Doty, "Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured," Commonwealth Fund, Feb. 2019, https://doi.org/10.26099/penv-q932.

[12] Collins, Sara R., et al., "Health Insurance Coverage Eight Years After the ACA: Fewer Uninsured Americans and Shorter Coverage Gaps, But More Underinsured."

[13] Batty, Michael, Christa Gibbs, and Benedic Ippolito, "Unlike Medical Spending, Medical Bills in Collections Decrease with Patients' Age," *Health Affairs* 37(8), Aug. 2018, https://www.healthaffairs.org/doi/10.1377/hlthaff.2018.0349. See Exhibit 1, p. 4: Analysis of 2016 data from the Consumer Financial Protection Bureau's Consumer Credit Panel.

[14] "Report on the Economic Well-Being of U.S. Households in 2017," Board of Governors of the Federal Reserve System, May 2018, https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf, accessed July 17, 2018.

[15] "Report on the Economic Well-Being of U.S. Households in 2017," Board of Governors of the Federal Reserve System.

[16] "The Burden of Medical Debt: Results from the Kaiser Family Foundation / New York Times Medical Bills Survey," Kaiser Family Foundation, Jan. 2016, https://kaiserfamilyfoundation.files.wordpress.com/2016/01/8806-the-burden-of-medical-debt-results-from-the-kaiser-family-foundation-new-york-times-medical-bills-survey.pdf.

[17] "TPG Growth Closes Acquisition of Medical Solutions," Jun. 14, 2017, http://press.tpg.com/phoenix.zhtml?c=254315&p=irol-newsArticle&ID=2281213.

[18] https://www.providence.org/our-services/urgent-care/whatwetreat?_ga=2.55026211.908281864.1552080332-2107628993.1539715171#payment, see where it notes that "Payment is due at the time of your visit. Please note that you are responsible for any outstanding amount not covered by your plan. If you have questions call 888-227-3312."; https://www.gohealthuc.com/northwest#plans, see where it notes that "* Prices shown reflect a discount for which patients without insurance are eligible if they pay in full at the time of service... To receive actual pricing, patients without insurance may request prices from Legacy-GoHealth Urgent Care..."