

## Growing Wealth of Nonprofit Hospitals Has Policymakers' Attention

As health care costs continue to rise, policymakers are paying increasing attention to the accumulating wealth of the country's nonprofit hospitals. According to the *Wall Street Journal*, income from the 50 largest nonprofit hospitals increased "eight-fold" to a total of \$4.27 billion between 2001 and 2006.

The rise in hospital bills and the related increase in net income of nonprofit hospitals has many questioning whether the tax exemptions these facilities receive is being balanced by what they are expected to return as a community benefit for their status. The delivery of uncompensated medical care to an indigent individual is among the type of community benefits expected. However, the *Wall Street Journal* reports that one St. Louis-based hospital includes the salaries of its employees among the community benefits it provides citing the economic impact its payroll has to the communities where its facilities are located. According to the *Journal*, of the \$1.8 billion in community benefits the hospital claimed in 2004, its payroll accounted for over \$900 million of that amount with actual charity care provided totaling \$35 million. A 2006 report by the Congressional Budget Office (CBO) indicated that the percent of uncompensated care as a share of operating expenses was 13 percent at publicly-funded hospitals, 4.7 percent at nonprofit hospitals, and 4.2 percent at for profit hospitals.

Tax exemptions provided to nonprofit hospitals are intended to allow them to use funds they would have paid in taxes for patient care. Tax breaks received include exemption from federal income and state sales taxes, tax-exempt bond financing, and charitable contributions that are tax-deductible to the donor. According to CBO report, the estimated value of tax exemptions provided to nonprofit hospitals in 2002 was \$12.6 billion.

The *Wall Street Journal* also reported that one nonprofit hospital chain had amassed reserves totaling \$7.4 billion, "more than many large, publicly traded companies." The increasing wealth of nonprofits and the growing need for additional charity care has some in Washington calling for legislation forcing nonprofit hospitals to provide a minimum level of charity care. State leaders are also weighing options to increase accountability of a nonprofit hospital's community benefit obligations.

## New Jersey to Consider Proposal for Universal Health Coverage

A bipartisan group of New Jersey legislators has introduced a three-year, phased-in proposal that will require all residents of the state to obtain health care coverage. If approved, the state would join Massachusetts, Maine, and Vermont in requiring universal health coverage. The first phase will focus on enrolling uninsured children in order to help the state maximize federal matching funds for its effort. The second half of the plan would create a self-funded, state-sponsored health plan for all individuals. Coverage would be offered at affordable rates with subsidies available for those in greatest need. Residents who currently receive coverage from their employer would continue to do so. All others would be required to enroll in the state-sponsored commercial insurance program. The plan would be financed by using surpluses in the state's FamilyCare and Medicaid programs along with savings realized from revamping the way the state reimburses hospitals for uncompensated care.

## Health Quiz

1. "Never events" include medical errors such as the amputation of the wrong limb or transfusing patients with the wrong blood.  
(a) True  
(b) False
2. Of the 1200 hospitals surveyed by the Leapfrog Group in 2007, 87 percent did not follow recommendations needed to avoid the most common hospital-acquired conditions.  
(a) True  
(b) False
3. CMS recently projected that health care spending could total 2 percent of the nation's gross domestic product by 2017.  
(a) True  
(b) False
4. According to a study by HealthGrades, how many medical error related deaths could have been prevented between 2004 and 2006?  
(a) 24,723  
(b) 739  
(c) 238,337  
(d) 99,000
5. According to PricewaterhouseCoopers, 86 cents of every health premium dollar pays for direct health benefits.  
(a) True  
(b) False



## Study Finds Medical Errors Cause 238,337 Preventable Deaths, Cost U.S. \$8.8 Billion

Patient safety incidents cost the federal Medicare program \$8.8 billion and resulted in 238,337 potentially preventable deaths from 2004 to 2006, according to a study released by HealthGrades, a leading health ratings organization. The report states that 1.1 million patient safety incidents occurred during the three years studied. Medicare patients who experienced a patient-safety incident had a one-in-five chance of dying as a result of the incident from 2004-2006. Medical errors with the highest incidence rates and accounting for 63.4 percent of all incidents were bed sores, failure to rescue, and post operative respiratory failure. While a number of hospitals are taking steps to reduce medical errors, the report concludes that progress remains modest and that many in the industry continue to deny that truly safe care is achievable.

## Medicare Proposes Adding Nine More Conditions to List of Medical Errors Not Eligible for Reimbursement

In another bold move to reduce the human and financial toll of medical errors, the Centers for Medicare and Medicaid has proposed adding nine more conditions to the list of incidents it will no longer pay hospitals the additional cost to treat if they are acquired during an inpatient stay. The additional conditions include: surgical site infections following certain elective procedures; Legionnaires' disease (a type of pneumonia caused by a specific bacterium); extreme blood sugar derangement; collapse of a lung; delirium; ventilator-associated pneumonia; formation/movement of a blood clot; and bloodstream infections. The nine conditions would be added to the previous list of preventable errors the agency released in 2007.

In its 1999 report, *To Err is Human: Building a Safer Health System*, the Institute of Medicine (IOM) concluded that medical errors, particularly hospital-acquired infections, may be responsible for as many as 98,000 deaths annually, with costs totaling up to \$29 billion. In 2000, the Centers for Disease Control and Prevention (CDC), estimated that hospital acquired infections added nearly \$5 billion dollars to hospital costs. At the same time, a 2007 survey by the Leapfrog Group of more than 1,200 hospitals found that 87 percent did not follow recommendations to prevent many of the most common hospital-acquired conditions. A number of health plans have joined the effort to improve the quality of care at the nation's hospitals by refusing to pay or letting their patients be billed for medical errors.

## Saliva Test May Help Diagnose Heart Attack

Researchers at the University of Texas at Austin are developing a series of nano-bio-chip sensors that may be used for advanced saliva testing to determine if a patient is suffering from a heart attack or is at risk of having one. According to a report on the research, small samples of a patient's saliva would be placed into a tube and then transferred to a credit card-sized lab card that contains the nano-bio-chip. The card would then be inserted much like an ATM card into an analyzer that manipulates the sample and determines the patient's cardiac status on the spot. Researchers believe the technology could be used on an ambulance or at locations such as a dentist's office or a neighborhood drugstore. Such research could be particularly beneficial to heart attack victims, especially women, who often experience unrecognizable heart attack symptoms. The rapid diagnosis could allow heart attack victims to secure medical assistance before permanent damage to the heart tissue occurs. The new technology is still in its clinical stages but is believed to be a strong candidate for further commercial development. Cardiovascular disease is the leading cause of death in the United States.

Trivia answers: 1. a (True) 2. a (True) 3. b (False-CMS projects 20%) 4. c (238,337) 5. a (True)

## Birthdays

### May

2 – Sen. Florence Shapiro  
6 – Rep. Allen Ritter  
8 – Rep. Barbara Mallory Caraway  
21 – Rep. Michael O'Day  
22 – Rep. Tan Parker  
27 – Rep. Juan Garcia  
30 – Rep. Charlie Howard  
30 – Rep. Hubert Vo