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The Profitability of Nonprofit Hospitals: Do They Really Need More Money?

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Introduction

Every legislative session, in every legislature in the country, the health care industry advocates that more taxpayer resources be devoted to Medicaid, Medicare, and a host of other health-related programs. The claim, along with those of other social-spending advocates, is that more money will help people who cannot otherwise afford care. In addition, the constant cry from the industry, especially hospitals, is that they are financially strapped as they struggle to meet the health demands of the indigent. However, these claims, usually uncritically accepted by policy makers, do not stand up to scrutiny.

Nonprofit hospitals receive preferential tax-exempt status from the government by claiming to provide some type of charity, either free health care or some other service of public benefit, usually related to education. However, nonprofit status does not necessarily keep nonprofit hospitals from generating massive revenues, nor does it require a minimum provision of charity. In fact, the criteria for obtaining status as a nonprofit are surprisingly simple: 1) be established for an exempt purpose, such as charity or as an educational institution (hospitals generally fall in the latter), 2) earnings cannot be transferred to private shareholders or individuals, and 3) restrict political activity.[1] These generous guidelines allow nonprofit hospitals to balloon into massive wealth creators.

Health care spending reached $3.2 trillion in 2015, a startling 17.8 percent of Gross Domestic Product, or well over one-sixth of the economy.[2] While the health care debate has centered on statistics comparing the number insured versus uninsured, few understand why health care has become such a large portion of the economy. A major cause is that it has become increasingly expensive, substantially artificially so.

We have a government-inspired/incentivized/ created health care payment system (private

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insurance, Medicare, and Medicaid) that pumps money into the health care sector through a non-market, irrational pricing system.[3] As a result, many nonprofit hospitals, especially metropolitan ones, are highly profitable entities with vast amounts of net revenue and new facilities regularly under construction, such as the $150 million-dollar Mercy hospital coming to Oklahoma City.[4]

Nonprofit hospitals' publicly-available tax submissions serve as a window into the money-bloated health sector, one that constantly cries poverty and demands ever more taxpayer resources. A better understanding of the health care sector's financial picture will hopefully aid policy makers deliberating how best to reform the way we pay for health care.

Nonprofit Hospitals: Raking in the Cash

Seven of the top ten most profitable hospitals in the United States are registered nonprofits.[5] Nonprofits clearly have a financial edge in the medical industry since at least some of their profitability is directly attributable to their tax-preferred status. *The New England Journal of Medicine* reports nonprofit hospitals take advantage of approximately $13 billion annually in federal tax breaks.[6] This is in keeping with data gleaned from examining IRS financial reports of Oklahoma's nonprofit hospitals.[7] Four of Oklahoma's top ten largest public charities are nonprofit hospitals.[8] The largest overall, St. Francis Hospital Inc., has just under $1 billion in total revenue and over $165 million in net revenue, or profit.

Profits

Nonprofit hospitals' reported profits (net revenues, in the Form 990 terminology) should be viewed with a healthy level of skepticism, not for being reported too high, as you might expect a corporation to do in order to maximize its stock value, but for being reported too low. While there are no regulations on the amount of profit a nonprofit can make, by virtue of being nonprofit organizations, they have an incentive to distribute their profits as costs. Unlike private organizations, nonprofits cannot distribute excess profits to investors/shareholders. Instead, some of the profit is distributed as cost through profligate capital spending and generous compensation. In addition, the optics of high profits are mitigated by claims of bad debt, or uncompensated care.[9]

Charitable care and uncompensated care help diminish what otherwise might be offensive profits. The ideal would see nonprofit hospitals fulfilling their mission by using excess revenue for public benefit by providing care at low cost to those with low incomes. However, not only do nonprofit hospitals report higher average profit margins than for-profit hospitals, the amount of charitable care reported is wanting. In fact, the difference in charitable care between nonprofit and for-profit hospitals is negligible, with nonprofits reporting approximately 4.7 percent of expenses in charitable care compared to 4.4 percent by for-profit hospitals.[10]

Many would argue that such a low level of charitable care does not warrant the billions of dollars in taxes these institutions are exempt from paying each year. In fact, this has already become a legal issue. "At the local level, a number of hospitals have had their property-tax exemptions challenged or revoked on the grounds that the community benefits they provide are inadequate."[11] To make matters worse, the amount of charity care reported by nonprofits does not necessarily mean that additional services are being provided to communities or individuals needing them most. Due to how the IRS has defined charity care, "Things like running a research lab, hosting health fairs, making environment improvements, developing community leadership programs and having administrators serve on community boards are all defined as 'charity care' and therefore allow the hospital to qualify for nonprofit status (while providing less actual free healthcare)."[12]

Large profits for nonprofit hospitals exist despite massive amounts claimed as bad debt. According to Steven Brill of *Time*, "$39.3 billion in charity care cost the hospitals less than $3 billion to provide. That's less than half of 1% of U.S. hospitals' annual revenue and includes bad debt that the hospitals did not give away willingly in any event."[13] Because

of this, it is helpful to look at nonprofits' profit margins, both profits calculated without subtracting bad debt and profits reported as net revenue which does account for bad debt. These amounts for 32 nonprofit hospitals in Oklahoma can be found in Table 1.

Table 1: Oklahoma Nonprofit Hospitals' Profits

Hospital	Profit (Net Revenue)	Profit Margin	Profit Plus Reported Bad Debt	Profit Margin Ignoring Bad Debt	Total Revenue
Pushmataha Family Medical	$2,034,587	54.7%	$6,682,056	179.5%	$3,721,944
Purcell Municipal Hospital	-$1,793,650	-15.0%	$2,853,819	23.9%	$11,961,070
Mercy Hospital El Reno	-$1,433,289	-8.8%	$4,126,641	25.3%	$16,296,318
Mercy Hospital Ada	$2,780,728	3.3%	$17,611,369	21.0%	$83,923,228
Mercy Hospital Watonga	$676,329	10.8%	$1,716,292	27.4%	$6,262,652
McCurtain Memorial Medical	-$393,745	-1.8%	$2,990,765	13.6%	$21,947,162
Newman Memorial Hospital	-$794,763	-8.5%	$445,151	4.8%	$9,310,990
Farmers Union Hospital	-$2,693,495	-5.5%	$3,589,894	7.3%	$48,948,986
Mercy Hospital Kingfisher	$254,929	3.1%	$1,231,744	14.9%	$8,292,986
Saint Francis Hospital South	$25,189,800	25.4%	$36,779,624	37.1%	$99,274,250
Mercy Hospital Tishomingo	$783,668	11.6%	$1,575,668	23.2%	$6,786,225
Integris Health Inc	-$32,522,065	-14.9%	-$7,788,108	-3.6%	$217,657,086
Duncan Regional	$5,641,251	5.1%	$18,264,724	16.3%	$111,776,747
Pawhuska Hospital Inc	$467,118	7.8%	$1,076,512	18.0%	$5,986,643
Kingfisher Regional Hospital	-$1,123,643	-7.1%	$346,389	2.2%	$15,944,897
Mercy Hospital Logan County	$701,532	3.3%	$2,633,078	12.3%	$21,487,245
St. Francis Hospital	$165,259,360	17.5%	$237,705,650	25.2%	$942,853,731
Mercy Hospital Ardmore	$6,391,370	4.6%	$16,940,164	12.2%	$139,084,023
St. Anthony Shawnee Hospital*	$5,022,467	7.1%	$9,669,936	13.7%	$70,460,157
Cleveland Area Hospital	$23,128	0.2%	$812,877	6.2%	$13,076,920
Coal County General Hospital	$1,078,493	18.2%	$1,421,840	24.0%	$5,936,441
Adair County Health Center	-$306,113	-0.9%	$1,419,552	4.3%	$32,970,672
Jane Phillips Nowata Hospital	$197,598	4.9%	$396,461	9.9%	$3,997,433
Jane Phillips Memorial Medical	$17,068,662	14.6%	$22,762,349	19.5%	$117,059,080
Integris Health Edmond	$998,277	2.7%	$2,590,835	7.1%	$36,490,851
Stigler Health & Wellness	$920,208	6.8%	$1,504,823	11.1%	$13,586,796
Owasso Medical Facility	$5,841,005	16.7%	$7,133,939	20.4%	$34,934,582
Integris South OKC	$5,691,537	2.4%	$12,703,205	5.3%	$241,573,764
Integris Rural Health	$17,950,725	6.4%	$24,637,151	8.7%	$282,050,247
Mercy Hospital OKC	$59,003,860	14.0%	$66,105,685	15.7%	$421,908,739
St. John Medical Center	$66,842,452	12.3%	$75,174,124	13.8%	$544,580,960
Integris Baptist	$73,149,103	10.2%	$82,188,337	11.5%	$716,157,981
St. John Sapulpa	$66,564	0.3%	$161,265	0.7%	$22,657,981
$ Total/Average Percentages	**$422,973,988**	**9.8%**	**$657,463,811**	**15.2%**	**$4,328,958,787**

Source: National Center for Charitable Statistics Forms 990 data. nccs.urban.org
Note: Profit Margin equals(Revenue--Costs)/Total Revenue
*A separate form 990 for St. Anthony Oklahoma City could not be found.

Even net of bad debt, nonprofit hospitals in Oklahoma are generally operating with positive net revenues (9.8 percent profit margin). Not accounting for bad debt, nonprofits average a very healthy 15.2 percent profit margin. To put this in perspective, for the fiscal year ending in 2017, Macy's reported a profit margin of 5.1 percent; Verizon reported a margin of 21.5 percent.[14] In 2013 the pharmaceutical industry, often cast as a villain of the health care industry by pundits and politicians, averaged a profit margin of approximately 18 percent, a mere 3 points above Oklahoma's average nonprofit hospital profit margin that excludes bad debt.[15]

Some would argue that a measure for profit not accounting for bad debt as a cost should not be used as a means of comparison. However, it is well established that hospital pricing practices do not reflect any kind of rational market-based pattern due to the prevalence of third-party payers. Those patients who must pay all or a substantial portion of their bills often balk at the outrageous sums in the bills and refuse to pay. Very often, when hospitals are paid only a portion of a bill, they write off the balance as bad debt, even though they find the payment they received sufficiently profitable and do not harass the debtor any further.

Ninety percent of health care costs are not paid directly by patients, but by insurance companies (with employers paying most of the premiums) and the government.[16] Hospitals use highly artificial pricing that is also highly inflated compared to their costs. Consumers are unable to shop around for affordable, quality care due to the mind-bogglingly opaque and illogical pricing system. Every hospital has a price-list called a chargemaster, a highly overstated and inflated price list of all of the items and services a hospital bills to patients.[17] The prices are continuously changing, not remotely based on cost, and unavailable to anyone wanting to know the prices of common items prior to receiving care. In fact, only 35 percent of physicians self-report that they regularly discuss costs with patients.[18]

The truth of hospitals' profit margins likely lies somewhere between the margins reported here, but it is important to note that the larger profit measure results in only one hospital suffering a net loss while the net revenue measure, which nets out bad debt, results in 8 hospitals suffering losses. The true financial picture of hospitals is often far from the dire picture bad debt helps them to paint for the general public and policy makers.

Assets

With their sizable profit margins, nonprofit hospitals in Oklahoma are able to maintain large cash and cash-equivalent balances. These amounts show up on IRS reports as either cash, savings and temporary investments, or both and are shown in Table 2. The 32 nonprofit hospitals reporting such balances have a total of a billion dollars of liquid funds, an average of more than $31 million per hospital.[19] These are not amounts one would expect to see if nonprofit hospitals in Oklahoma were under financial distress. (continued)

Table 2: Cash and Cash Equivalents of Oklahoma's Nonprofit Hospitals

Hospital	Cash - non-interest bearing	Savings & Temp Cash Investments	Total
St. Francis	$375,683	$204,495,758	$204,871,441
Integris Baptist	$ 74,931,390	$80,960,065	$155,891,455
St. John Medical	$ -	$12,879,580	$12,879,580
Mercy OKC	$93,321,094	$ -	$93,321,094
Integris Rural Health	$101,505,716	$380,000	$101,885,716
Integris South OKC	$66,435,135	$40,473,963	$106,909,098
St. John Health	$3,119,699	$ -	$3,119,699
Integris Health Inc	$ -	$89,878,106	$89,878,106
Stillwater Medical	$20,407,362	$46,136,650	$66,544,012
Jane Phillips Memorial	$10,262,622	$ -	$10,262,622
Duncan Regional	$7,123,454	$2,194,823	$9,318,277
St. Francis South	$984,339	$213,806	$1,198,145
Mercy Ada	$1,443,159	$ -	$1,443,159
St. Anthony Shawnee	$ -	$558,782	$558,782
Farmers Union	$3,918,932	$18,161,825	$22,080,757
Owasso Medical	$909,571	$ -	$909,571
Adair County	$668,826	$2,123,871	$2,792,697
St. John Sapulpa	$1,731	$ -	$1,731
McCurtain Memorial	$ -	$45,445	$45,445
Mercy Logan County	$1,572	$ -	$1,572
Kingfisher Regional	$3,183,824	$981,687	$4,165,511
Stigler Health	$2,634,512	$2,626,853	$5,261,365
Cleveland Area	$472,920	$ -	$472,920
Purcell Municipal	$27,105	$95,000	$122,105
Newman Memorial	$1,016,678	$408,912	$1,425,590
Mercy Watonga	$142,872	$ -	$142,872
Pawhuska	$ -	$1,471,797	$1,471,797
Coal County	$154,063	$1,711,260	$1,865,323
Jane Phillips Nowata	$250,394	$ -	$250,394
Pushmataha	$389,066	$ -	$389,066
East Central Oklahoma	$180,571	$ -	$180,571
Care Dynamics	$3,492	$ -	$3,492
Total	**$493,865,782**	**$505,798,183**	**$999,663,965**
Average	**$15,433,305.69**	**$15,806,193.22**	**$31,239,498.91**

Source: National Center for Charitable Statistics Forms 990 data. nccs.urban.org

Cash does not constitute all the assets of hospitals. Most of their assets are in fixed investments, including buildings and equipment. Spending generously on these assets, as it happens, helps to reduce the appearance of profitability. Laura Sesana of *Arbiter News* suggests that the incentive to reinvest profits in facilities "gives rise to huge hospital systems that virtually dominate host cities and become the area's largest employer, with some hospitals bringing in more revenue than what the host city collects in taxes and fees."[20] As can be seen in Table 3, total net assets of the 36 Oklahoma nonprofits included in this study amount to more than $5.6 billion, an average of $158 million per hospital.

Table 3: Oklahoma Nonprofit Hospitals' Assets

Hospital	Net Assets	Land, Buildings, Equipment
St. Francis Hospital	$1,642,835,285.00	$882,567,449.00
Integris Baptist	$642,892,665.00	$523,300,390.00
St. John Medical Center	$74,276,847.00	$223,188,315.00
Mercy Hospital OKC	$330,680,152.00	$380,800,492.00
Integris Rural Health	$224,268,998.00	$299,898,836.00
Integris South OKC	$236,035,665.00	$239,671,464.00
St. John Health System	$784,261,255.00	$4,484,473.00
Integris Health Inc	$1,222,661,019.00	$277,113,647.00
Mercy Hospital Ardmore	$129,234,033.00	$200,944,328.00
Jane Phillips Memorial Medical	$66,141,398.00	$52,522,519.00
Duncan Regional Hospital	$143,227,317.00	$147,439,063.00
St. Francis Hospital South	$62,358,395.00	$120,492,213.00
Mercy Hospital Ada	$2,779,766.00	$47,034,200.00
St. Anthony Shawnee	$28,321,695.00	$59,756,683.00
Farmers Union Hospital	$46,433,694.00	$84,750,229.00
Integris Health Edmond	-$11,058,687.00	$104,893,700.00
Owasso Medical Facility	$11,382,717.00	$47,936,828.00
Adair County Health Center	$13,232,792.00	$16,727,523.00
St. John Sapulpa	-$6,392,017.00	$8,930,961.00
McCurtain Memorial Medical	$1,287,161.00	$16,983,160.00
Mercy Hospital Logan County	$9,481,339.00	$7,984,863.00
Mercy Hospital El Reno	-$560,298.00	$2,385,651.00
Kingfisher Regional Hospital	$189,063.00	$31,243,982.00
Stigler Health & Wellness	$6,604,703.00	$8,005,298.00
Cleveland Area Hospital	-$268,739.00	$806,499.00
Purcell Municipal Hospital	$3,962,792.00	$13,954,924.00
Newman Memorial Hospital	$5,556,777.00	$23,044,666.00
Mercy Hospital Kingfisher	$254,929.00	$711,136.00
Mercy Hospital Tishomingo	-$462,198.00	$649,157.00
Mercy Hospital Watonga	$676,310.00	$415,428.00
Pawhuska Hospital Inc	$3,372,396.00	$4,738,418.00
Coal County General Hospital	$3,056,552.00	$2,953,110.00
Jane Phillips Nowata Hospital	$2,984,440.00	$2,121,132.00
Pushmataha Family Medical	$4,925,821.00	$9,618,430.00
East Central Oklahoma	$677,522.00	$3,572,532.00
Care Dynamics	-$19,751.00	$180,011.00
Total	**$5,685,291,808.00**	**$3,851,821,710.00**
Average	**$157,924,772.44**	**$106,995,047.50**

Source: National Center for Charitable Statistics Forms 990 data. nccs.urban.org

One new hospital project coming to Oklahoma City is to be a new patient tower for the OU Medical Center. Published illustrations of this planned facility show modern architecture sure to impress, and sure to add to the total cost of the project along with likely making operations less practical.[21] One wonders if it will be like the $1.1 billion Johns Hopkins hospital tower and children's hospital completed in 2012 in Baltimore. *NPR* reports that the tower has "the frills of a luxury hotel, including a meditation garden, 500 works of art, free wi-fi and a library of books, games and audio."[22]

Even as hospitals spend on seemingly unending construction projects all over the nation, the number of hospital beds per 1,000 population has steadily declined for more than 50 years.[23] Much of hospital construction is to house another form of capital spending – expensive, technologically sophisticated equipment, especially imaging equipment such as MRI and CT-scan machines.

Health care is the only industry for which improved technology is used to explain higher costs. In every other industry, improved technology brings down costs, and considering the hospital bed statistic, with less time spent by patients in hospitals, one would think this to be the case. But hospitals are competing today on a non-price basis since so few patients pay the bills themselves. That means private rooms are increasingly the norm where semi-private rooms and even wards work well and might even work better. After all, cost is no object for insured patients whose bills are paid by others, and the health professionals know it. It also means overuse of technology, imaging patients' insides on a regular basis even though the evidence is that MRIs and CT scans often provide only very marginal improvements in overall outcomes.[24] Given its overuse, technology appears suspiciously like an excuse for adding billing items for the bulk of patients, rather than as a real health improvement tool.

Another avenue for curbing excess net revenues while gaining an even greater share of the market occurs when nonprofit hospitals purchase for-profit, private physician practices. Research shows that nonprofit health facilities typically charge two to three times the amount a private facility would charge for the exact same procedure or service. This additional revenue, coupled with the competitive edge granted to nonprofits through their preferred tax status, affords them plenty of capital to make healthy offers to private practices. Patients can expect to see increased prices on their medical bills as medical service providers are increasingly concentrated and monopoly power increases. In one patient's experience, the price of a cortisone shot increased from $146 in 2009 to $987 in 2013, a difference of $841. The price of the medication, the doctor, and the clinic all remained the same, but the previously private clinic became part of a nonprofit hospital.[25]

Top Executive Salaries

As previously noted, another way nonprofit hospitals can spend down their profits is by paying their managers eye-popping salaries and other compensation. For example, William Thompson, Director and Vice-Chair at SSM Health (multi-state parent organization to the St. Anthony Hospital in Shawnee, OK), is paid $5.5 million according to the latest financial report available. That's $1,900 per hour, according to the 55 hours per week work that he declared on St. Anthony's 990 (assuming two weeks vacation). His salary alone was greater than the entirety of bad debt claimed by the hospital. Granted, Thompson's salary is a bit of an outlier but not by much. An examination of the highest executive salary at 22 nonprofit hospitals reveals that these individuals were paid a combined total of nearly $18 million, an average of over $800,000 each.[26] The table below gives a more in-depth look at the top earning employees at five Oklahoma nonprofit hospitals.

Table 4: Top Oklahoma Nonprofit Hospital Executive Salaries

Hospital	Top Earning Employee[24]	Salary	Hours Worked per Week	Dollars per Hour
St. Anthony Shawnee Hospital SSM Health (multi-state system)	William Thompson - Director & Vice-Chair	$5,504,981	56	$1,966.06
St. Francis Hospital	Jake Henry Jr. - President/CEO/Director	$1,673,100	40	$836.55
Integris Baptist	Dr. James W Long - Physician	$1,281,530	40	$640.77
Integris Rural Health	Dr. David W Vanhooser - Physician	$1,182,402	40	$591.20
St. John Health System	David J Pynn - President & CEO	$1,089,926	46.2	$471.83
Integris South OKC	C. Bruce Lawrence - Ex-Officio	$1,001,023	40	$500.51
Mercy Hospital OKC	Diana Smalley - President	$915,722	60	$305.24
Adair County Health Center	Dr. Wojciech Dulowski - Physician	$896,338	60	$298.78
McCurtain Memorial Medical	John Migliaccio - Vice President/Chief of Staff	$663,423	41	$323.62
St. John Medical Center	Lex Anderson - Treasurer/Sr VP & CFO	$643,261	46.2	$278.47
Duncan Regional Hospital	Jay Johnson - CEO	$467,270	40	$233.64
Farmers Union Hospital	Francis Abraham - Vice Chief of Staff/Physician	$380,237	40	$190.12
Cleveland Area Hospital	Jason Sims - Physician	$316,532	40	$158.27
Kingfisher Regional Hospital	John Parigi - CFO	$282,600	40	$141.30
Stigler Health & Wellness	Eric Broadway - MD Psychiatrist	$266,291	40	$133.15
East Central Oklahoma Family	Gary Lovell - Physician	$240,385	40	$120.19
Newman Memorial Hospital	Jeffrey Shelton - CEO	$201,962	40	$100.98
Purcell Municipal Hospital	Sean Orlino - Chief of Staff	$187,095	40	$93.55
Pawhuska Hospital Inc	John Ham - PA-C Emergency Room	$175,317	48	$73.05
Pushmataha Family Medical	Dr. Edwin F. Ellis - Medical Director	$173,891	40	$86.95
Coal County General Hospital	Billy Johnson - CEO	$103,919	41	$50.69
Care Dynamics	Samson Jerimiah - President	$77,726	40	$38.86
Average		**$805,678.68**	**43.56**	**$346.99**
Total		**$17,724,931**		

Source: National Center for Charitable Statistics Forms 990 data. nccs.urban.org

Nationally, *Becker's Hospital Review* shows that in 2012, "the compensation for the CEOs and top leaders of the nation's 25 highest-grossing nonprofit hospitals totaled more than $52.7 million, or an average of $2.1 million per executive."[28] Hospital executives and administrators aside, a recent *CBS* article shows that of the 11 most lucrative career fields in 2017, six are directly related to healthcare. The bottom line: nonprofit hospitals are moneymaking businesses whose philanthropic activity is negligible, but who pay their top executives generously.

Why Nonprofit Profits Are An Issue

Profit and high levels of compensation in nonprofit hospitals are the focus of this study only to correct an impression so often promoted during budget-writing time that hospitals are constantly on the precipice of bankruptcy. In a free enterprise system, profit is a crucial component of the price system that signals where and how resources should flow to create the greatest possible amount of prosperity. Compensation for talent plays the same part. However, as already pointed out, the health care system is not subject to the free enterprise price system. Once the federal tax system encouraged employers to provide health benefits after World War II and the federal government began to cover so much of the nation's health bill after 1965, a true price system largely ceased to operate in health care.

Today, the health care industry is a highly profitable industry that spends billions of dollars lobbying the government for an ever-increasing share of federal and state budgets as it seems that a sixth of the economy is just not enough. It was reported in a *U.S. News* article that "according to the nonpartisan Center for Responsive Politics, the health care sector was the sixth largest source of political contributions in the 2015-2016 election cycle, giving more than $268 million."[29] Because of skillful messaging on the part of the health industry, including nonprofit hospitals, our elected representatives are left with three options: risk being seen as heartless and cruel by refusing to expand aid even further, underfund other crucial areas of the budget, or increase the burden on working citizens by raising taxes.

Nonprofit hospitals play an active role in advocating for the expansion of government-provided healthcare through programs like Medicaid. These nonprofits claim that unpaid debts and heavy use of emergency facilities have nearly bankrupted them – problems they say can be solved by increasing government involvement. These claims hardly seem to match with the reality reported by these institutions in their federal financial documents, as cleverly constructed with bad debt and inflated salaries as these reports may be.

The claims surrounding the supposed financial hardships of running emergency rooms are especially suspect, both the claim that emergency rooms are inherently expensive to operate, and that every person who presents at an emergency room must be treated. Research shows that expenses related to emergency facilities only comprise 2 percent of health care spending.[30] Emergency rooms are often the busiest places in a hospital, meaning that sheer volume would tend to make them profitable. No real explanation is ever proffered as to why emergency rooms are inherently so costly when their high cost is asserted. Down time is the most obvious explanation, but this is belayed by how busy emergency rooms typically are, and by hospitals' own complaints that their emergency rooms are overloaded.

Arguments for more health funding in order to reduce supposedly costly emergency room use ring especially hollow given that studies show little evidence that such spending decreases emergency room use. In fact, some studies show the opposite with emergency room use increasing with expanded coverage.[31]

It is also an outright falsehood when hospital spending advocates claim that emergency rooms are required by law to treat everyone who enters their doors. The Emergency Medical Treatment and Active Labor Act (EMTALA) only states that an initial examination must be conducted in order to determine if an emergency condition exists. If so,

the facility is required to provide care to stabilize the condition without hesitating to make inquiries regarding the patient's ability to pay.

Additionally, hospitals with specialized capabilities are required to accept patient transfers if such specialized service is needed.[32] Clearly, there is no legal obligation for a medical facility to incur debt by treating the common cold in the emergency room. Patients not presenting an emergency condition can legally be scheduled for an appointment with a physician or transferred to a clinic. Given this information, the burden lies with nonprofit hospitals to demonstrate precisely how it is that emergency facilities drain their resources when they look more like cash cows.

Recently, SSM regional president, Joe Hodges, advocated for Medicaid expansion despite reporting that 80 percent of the children coming through their doors are already enrolled in the program – a higher percentage than the state's child participation rate in Medicaid. St. Anthony Hospital reported over $5 million dollars in net profit even after writing off $4.6 million in so-called bad debt. Despite having a healthy profit margin of over 7 percent, Hodges believes the health industry should be allotted a greater portion of the state budget – even though healthcare is already the state's largest budget item. It is interesting to note that if Mr. Hodges' $1.1 million salary were reduced to a still-generous $400,000, the savings would fund 127 Medicaid patients.

Providing care to those who need it is both a noble and valuable service for which people should be well compensated. Getting rich is not the problem; citing financial distress under false pretenses as a basis for forcibly taking more money from taxpayers to distribute it to an industry covered up with millionaires is the problem.

The Big Picture

Hospitals claim that greater coverage provided by the government will help nonprofit hospitals provide the care the American people allegedly need. Despite high hopes, recent research has demonstrated that increased coverage does not reduce the use of emergency rooms (believed by some to be a driver of skyrocketing costs despite comprising only 2 percent of health care expenditures),[33] nor does it improve overall health outcomes.[34] The Kaiser Family Foundation reports that "direct evidence that Medicaid or any other type of health coverage improves not just access to care, but also health outcomes, is limited."[35] High pricing, undisciplined by markets is a big reason health care costs are high, through artificial demand driven by a third-party payment system.

Modern medicine in America is confusing, frustrating, and can leave people feeling defeated and defenseless. Along with the spurious claim that technology is driving up costs, people are frustrated that they are billed for health professionals' mistakes, such as when patients get hospital-induced infections. Physicians constantly use the potential for lawsuits for why they order costly procedures and tests, calling it defensive medicine. Yet, it's the patients who pay for these expenses and not the physicians who have explained themselves that they are the primary beneficiaries (avoiding lawsuits) from these practices.

Meanwhile, there is plenty of evidence that moving toward a truly market-driven health care system would produce great improvements. The Surgery Center of Oklahoma has empowered consumers by providing them the opportunity to once again make the best choices regarding their own health. The center offers upfront, transparent pricing on a cash-only basis. Even without using insurance, the patients flocking from all over to have procedures performed end up paying less than if they had relied on their existing plans. Half-price medical care would be a shocking bargain to most, but those visiting the Surgery Center typically pay one-sixth to one-eighth of what facilities such as Mercy and OU Medical charge. And what's more, the quoted price includes everything, even if additional unexpected measures have to be taken.[36]

Patients at the Surgery Center of Oklahoma never receive unexpected medical bills and are able to make informed health decisions. What's more, the physicians involved actually make higher

incomes once all the middlemen and bureaucracy is eliminated. It is promising that the mere existence of the Surgery Center has begun to cause other facilities in the area to follow suit by publishing their prices. The competitive pricing offered by the Surgery Center has also led to price-matching efforts, indicating that the prices pushed on consumers could have been reduced all along.[37]

It is obvious that nonprofit hospitals and those owning and/or operating them are getting wealthy partly at taxpayers' expense. The third party payer system in place has given hospitals both the incentive and the ability to do so by distancing health care providers from the people who matter most – the patients. Until the American public is once again trusted to make decisions regarding their own care and the care of their loved ones, the issues present in the current system are not going to go away. This is why many issues worsened under the Affordable Care Act rather than improved. Perhaps the greatest irony though, is that many who advocate for more health funding in the name of the poor, are advocating for expansion of a system largely of their creation, mostly divorced of free enterprise, that makes a few ever richer and everyone else worse off.

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