



Unmasking the Real Cost Drivers in U.S. Healthcare: A Critical Examination of Hospital Spending and Policy Reform

Troubling Trends: Systemic Practices in Indiana's Non-Profit Hospitals That Inflate Health Care Costs

Executive Summary

This report explores how Indiana's non-profit hospitals contribute to rising health care costs through practices that prioritize financial gain over community benefit revealing systemic issues such as high pricing, lack of transparency, executive compensation, and political lobbying.

Background and Context

Though non-profit hospitals receive billions in taxpayer-funded subsidies and donations, many fail to meet expectations for providing affordable care and meaningful community benefits. This report highlights how these institutions often function like for-profit entities, despite their tax-exempt status and public funding sources.

National Trends in Not-for-Profit Hospitals

Last year, 80% of not-for-profit hospitals nationwide spent less on community benefits than the value of their tax exemptions, creating a \$25.7 billion deficit.¹ Not-for-Profit hospitals increasingly avoid Medicaid and uninsured patients due to lower reimbursement rates, focusing instead on services favored by private insurers, leading to inequities in care.

Troubling Trends in the Hoosier State

Not-for-Profit hospitals in Indiana receive substantial tax exemptions in exchange for providing community benefits, including charity care. However, recent analyses have raised concerns about whether these institutions are fulfilling their obligations. Issues such as declining charity care, high executive compensation, aggressive lobbying, lack of transparency have come under scrutiny.

Key Findings

I. Prioritizing High Payment Rates Over Serving Patients

Hospitals increasingly avoid Medicaid and uninsured patients due to lower reimbursement rates. More than 20% of Medicaid recipients in Indiana reported being unable to access timely care. Hospitals instead focus on services favored by private insurers, leading to inequities in care. About 600,000 or 12% of adults in Indiana report having medical debt each year from 2019 and 2021. The U.S. average of people reporting medical debt is 8.6%.²

II. Substantial Profits, No Taxes

Not-for-Profit hospitals are nonprofit charities that pay no federal, state, or local income tax. They receive a tax exemption in large part as compensation for providing charitable care at little or no cost to low-income patients.

When the financial benefits that a non-profit hospital receives from its tax-exempt status exceeds the amount of community investment it provides, it's called a "Fair Share Deficit."

From 2020 to 2022, Indiana's not-for-profit hospitals received approximately \$1.3 billion annually in tax benefits.³ Despite these benefits, 66% of not-for-profit hospitals in Indiana had a fair share deficit, receiving more in tax breaks than they spent on community investments.

Charity care represented 47% of community investment. However, some institutions such as IU Health Methodist Hospital reported net incomes of \$781,674,803, raising questions about adequacy of their contributions.⁴

In 2020, 42 hospitals in Indiana had a combined fair share deficit of **\$477,000,000**,⁵ enough to cover 21% of all existing medical debt in Indiana.⁶

Indiana University Health has the dubious honor of owning the fifth largest fair share deficit in the United States: \$136,000,000 – enough to erase 66,518 individual medical debts in Indiana.⁷

Sample Net Patient Revenue of Indiana hospitals (2024):⁸

- Indiana University Methodist Hospital: \$3,577,417,457
- Parkview Regional Medical Center (Fort Wayne): \$1,657,493,133
- Ascension St. Vincent Indianapolis Hospital: \$1,406,887,836
- Lutheran Hospital (Fort Wayne): \$580,066,920

III. Failure to Comply with Price Transparency Rules

Most private, non-profit hospitals refuse to comply with federal regulations that require them to share transparent information on their pricing of services. While some hospitals provide chargemasters and price calculators online, in general they withhold valuable price information from their patients. According to a report in the Economist, “The problem is compounded by the opacity of hospital pricing. The cost of procedures varies widely across hospitals: a study in 2023 by KFF, a health-policy think-tank, found that the sticker price of a colonoscopy in the Atlanta area ranged from \$435 to over \$7,000. But the complexity of medical billing and the nuances of reimbursement often make it difficult to compare services effectively.”⁹

- According to a recent report, only 11% of Indiana hospitals are in compliance with federal transparency regulations.¹⁰

IV. Executive Compensation

High executive compensation raises accountability questions:

CEOs at Indiana’s major hospital systems all receive compensation packages worth millions of dollars a year.

Dennis Murphy, CEO of Indiana University Health, the state’s largest hospital system with 16 hospitals and scores of clinics, made **\$4,970,039** in total 2023 compensation.¹¹

Bryan Mills, CEO at Community Health Network, which operates six hospitals, made **\$2,952,921** in total 2023 compensation.¹²

Kevin Leahy, President, Franciscan Alliance, made **\$2,665,008** in total 2023 compensation.¹³

“The recent increases are shocking,” said Matt Bell, chief policy analyst with Hoosiers for Affordable Healthcare, an Indianapolis-based consumer organization. “Hospital boards set executive compensation, and this relationship has gotten way too cozy, leading to sky-high compensation and prices.”¹⁴

V. Political Influence and Lobbying

Indiana's House Bill 1004 threatened not-for-profit status for hospitals charging more than 200% of Medicare rates. In March 2024, IU Health's CEO emailed stakeholders encouraging donations to a gubernatorial candidate to prevent harmful policy shifts.¹⁵

VI. Implications

The implications of these behaviors are far-reaching:

Public Trust: Faith in non-profit hospitals erodes when they behave like for-profit firms.

Access to Care: Low-income and Medicaid patients face significant barriers due to strategic prioritization of wealthier patients.

Policy Failure: Regulatory frameworks have not evolved to ensure accountability and fairness in how hospitals operate and use public funds.

VII. Conclusion and Recommendations

The data calls for improved regulation and oversight of not-for-profit hospitals in Indiana. Recommendations include:

1. **Establishing Clear Standards:** Define and enforce clear criteria for what constitutes adequate charity care and community benefits.
2. **Establish Charity Care Minimums:** Tie tax exemptions to specific charity care thresholds that reflect hospital capacity and community need.
3. **Enhancing Transparency:** Require detailed public reporting on financial practices, including the allocation of community benefits and lobbying expenditures in ZIP-code level detail.
4. **Cap Executive Compensation:** Align CEO pay with community health outcomes and nonprofit mission goals.
5. **Limit Lobbying:** Enforce stricter rules on lobbying expenditures and require full transparency on indirect and association-sponsored political activity.
6. **Conduct Regular Audits:** Mandate third-party audits to ensure compliance with IRS and state-level nonprofit regulations.

For a more complete examination of these troubling trends, see [Unmasking the Real Cost Drivers in US Healthcare: A Critical Examination of Hospital Pricing and Policy Reform](#).

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- ¹ <https://lownhospitalsindex.org/hospital-fair-share-spending-2024/>
 - ² <https://www.kff.org/statedata/election-state-fact-sheets/indiana/>
 - ³ [Lown Institute. Making the hospital tax exemption work for Indiana. April 2025.](#)
 - ⁴ Ibid.
 - ⁵ <https://lownhospitalsindex.org/2023-fair-share-spending/>
 - ⁶ https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf
 - ⁷ <https://lownhospitalsindex.org/2023-fair-share-spending/>
 - ⁸ [https://www.definitivehc.com/resources/healthcare-insights/top-hospitals-indiana-net-patient-revenue#:~:text=The%20Indiana%20hospital%20with%20the,Medical%20Center%20\(542%20beds\).](https://www.definitivehc.com/resources/healthcare-insights/top-hospitals-indiana-net-patient-revenue#:~:text=The%20Indiana%20hospital%20with%20the,Medical%20Center%20(542%20beds).)
 - ⁹ <https://www.economist.com/business/2025/03/20/how-hospitals-inflate-americas-giant-health-care-bill>
 - ¹⁰ <https://static1.squarespace.com/static/60065b8fc8cd610112ab89a7/t/673c995127e9990b5f10dea8/1732024706191/PRA+Nov+2024+Hospital+Price+Transparency+Compliance+Report.pdf>
 - ¹¹ <https://projects.propublica.org/nonprofits/organizations/351955872>
 - ¹² <https://projects.propublica.org/nonprofits/organizations/350983617>
 - ¹³ <https://projects.propublica.org/nonprofits/organizations/351330472>
 - ¹⁴ <https://www.ibj.com/articles/rising-hospital-ceo-pay-raises-flags>
 - ¹⁵ Indiana Capital Chronicle. IU Health CEO asks peers to donate to Chambers. March 2024.