



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

Troubling Trends: Systemic Practices in Ohio's Non-Profit Hospitals That Inflate Healthcare Costs

Executive Summary

This case study explores how Ohio'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, aggressive debt collection, 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. The report highlights how these institutions often function like for-profit entities, despite their tax-exempt status and public funding sources.

Key Findings

1. Prioritizing High Payment Rates Over Serving Patients

Hospitals increasingly avoid Medicaid and uninsured patients due to lower reimbursement rates. Nationally, more than a third of Medicaid patients report being unable to access timely care.¹ Ohio survey respondents, including those on Medicaid, have indicated difficulties navigating the healthcare system and resolving issues with providers, which can contribute to delayed access to care.²

Hospitals instead focus on services favored by private insurers, leading to inequities in care. 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.”³

2. 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.”

Nationally, not-for-profit hospitals spent \$2.3 of every \$100 in total expenses incurred on charity care, which was less than government (\$4.1) or for-profit (\$3.8) hospitals.⁴ 76% of Ohio's private non-profit hospitals fall into this category. Ohio is one of seven states for which the fair share spending reached over a billion-dollar deficit – in other words, nonprofit hospitals in Ohio are receiving over a billion dollars in tax breaks and are not investing that money back into their communities as promised.⁵

The Cleveland Clinic, ranked annually as one of the best hospitals in the country and world for care, once again nabbed the ignoble designation as one of the worst hospital systems in the country when it comes to social responsibility.⁶

Carrying a net \$212 million deficit, the Cleveland Clinic ranked fourth worst, with a net income of \$1.1 billion and just 2.64% of its spending going toward community – spending less than 2% of their revenue on charity care.⁷

University Medical Center and Akron General each also show a fair share deficit, \$61 million and \$29 million respectively.⁸ Nationwide Children's Hospital had a \$121 million fair share deficit, with \$168.8 million in tax breaks but only \$47.8 million in community investment.⁹

Nationwide Children's and OhioHealth's Riverside Methodist — rank among the worst in Ohio when their spending is compared with tax breaks and has the second largest "fair share deficit" statewide at \$121 million, with nearly \$168.8 million in breaks compared to \$47.8 million in investments.¹⁰ Meanwhile, Riverside's \$57.1 million deficit ranks fourth largest in Ohio, with \$89.7 million in breaks compared to \$32.6 million in investments.¹¹

3. Transparency and Accountability

Transparency in financial practices is essential. Some Ohio not-for-profit hospitals have been criticized for reporting inflated “uncompensated” care numbers based on charge rates.¹² This raises concerns about the accuracy and integrity of public reporting.

4. Executive Compensation

High executive compensation continues to raise concerns, particularly considering limited charity care.

Rather than offering affordable medication to needy patients, the Cleveland Clinic instead provided more than one million dollars apiece to 22 executives, paid another 30 individuals over \$500,000, and finished the year with almost \$1 billion in “net income,” or, what standard accounting would call, “profit.”¹³

Consider:

Total compensation of Cleveland Clinic CEO Tomislav Mihaljevic, \$7,021,802¹⁴

Total compensation of OhioHealth’s CEO Stephen Markovich: \$11,856,375¹⁵

5. Political Influence and Lobbying

Not-for-Profit hospitals are permitted limited lobbying under 501(c)(3) rules.¹⁶ Organizations in Ohio must comply with registration and reporting standards.¹⁷ Concerns persist regarding the extent of influence exerted through permitted lobbying channels.

6. 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.

7. Conclusion and Recommendations

The data calls for improved regulation and oversight of not-for-profit hospitals in Ohio. 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](#).

¹ <https://rightsandrecovery.org/e-news-bulletins/2024/08/02/nyc-medicaid-enrollees-face-access-barriers-long-waits-for-mental-health-services/>

² <https://medicaid.ohio.gov/about-us/qs/cahps-consumer-experience-surveys>

³ <https://www.economist.com/business/2025/03/20/how-hospitals-inflate-americas-giant-health-care-bill>

⁴ Bai, Ge et al. “Analysis Suggests Government and Nonprofit Hospitals’ Charity Care Is Not Aligned with Their Favorable Tax Treatment.” *Health Affairs* 40, no. 4. (April 2021). [Analysis Suggests Government and Nonprofit Hospitals’ Charity Care Is Not Aligned with Their Favorable Tax Treatment | Health Affairs](#). Abstract, sentence 3.

⁵ <https://lowninstitute.org/2022-medicaid-institute/>

⁶ <https://projects.propublica.org/nonprofits/organizations/314394942>

⁷ Axios Cleveland. Cleveland Clinic’s Charity Care and CEO Compensation. October 2023.

⁸ <https://www.clevescene.com/news/cleveland-clinic-once-again-among-worst-hospitals-in-fair-share-deficit-rankings-comparing-charity-to-tax-breaks-43984107>

⁹ Axios Columbus. Central Ohio Hospitals’ Tax Break Deficit. May 2025.

¹⁰ Ibid

¹¹ <https://www.axios.com/local/columbus/2025/05/12/central-ohio-hospitals-tax-break-deficit>

¹² Ohio Hospitals Association. Managing Charity Care and Bad Debt. Conference Presentation.

¹³ https://www.realclearhealth.com/2025/06/06/its_the_hospitals_senator_1114949.html

¹⁴ <https://projects.propublica.org/nonprofits/organizations/912153073>

¹⁵ <https://projects.propublica.org/nonprofits/organizations/314394942>

¹⁶ IRS. Lobbying Guidelines for 501(c)(3) Organizations

¹⁷ Alliance for Justice. Ohio Lobbying Compliance Guide. 2022.