



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

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

Executive Summary

This case study explores how Connecticut’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, 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. 80% of not-for-profit hospitals nationwide spent less on community benefits than the value of their tax exemptions, creating a \$25.7 billion “Fair Share Deficit.” 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 Nut Meg State

Not-for-Profit hospitals in Connecticut operate under tax-exempt status in exchange for providing essential community benefits, particularly charity care.

However, mounting evidence reveals a troubling imbalance between the financial privileges these institutions receive and the outcomes they deliver.

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

Key Findings

1. Prioritizing High Payment Rates Over Serving Patients

A study of Medicaid enrollees in Connecticut found that 24% of Medicaid patients were unable access timely.¹

Difficulty obtaining timely primary care appointments is a recognized challenge for Medicaid patients in Connecticut. Hospitals increasingly avoid Medicaid and uninsured patients due to lower reimbursement rates. Connecticut's Medicaid program pays providers less for specialist physician and behavioral health services compared to peer states, a report released by the Connecticut Department of Social Services.²

The study analyzed Medicaid reimbursement rates for more than 11,000 physician specialist, dental and behavioral health services. The findings reveal that Connecticut paid less than a peer state benchmark for 85% of services analyzed and less than a Medicare-based benchmark for 94% of similar services.³

Factors contributing to these access issues include low Medicaid payment rates for specialists, limited specialist participation in Medicaid networks, and administrative burdens related to obtaining specialist consults. Additionally, geographic barriers and socioeconomic factors can also play a role in delaying or preventing access to care.⁴ A recent study found that nearly one-third of Connecticut patients didn't have a primary care visit between 2016 and 2022.⁵

Factors contributing to these access issues include low Medicaid payment rates for specialists, limited specialist participation in Medicaid networks, and administrative burdens related to obtaining specialist consults. Additionally, geographic barriers and socioeconomic factors can also play a role in delaying or preventing access to care.⁶ Many not-for-profit hospitals instead focus on services favored by private insurers, leading to inequities in care.

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.

Connecticut's nonprofit hospitals received an estimated \$719 million in tax exemptions in 2021 and \$759 million in 2022. These exemptions include savings from federal corporate income taxes, state sales taxes, and local property taxes. Analysis reveals that over 60% of these community benefit expenditures are attributed to unreimbursed Medicaid costs—not direct aid to uninsured patients. In contrast, charity care accounted for only 14.4% of community benefits in 2022—a figure that has declined by 25% since 2017.

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.⁷ In 2024, 82% of Connecticut's not-for-profit hospitals had a fair share deficit totaling \$390,000,000.⁸ This imbalance is part of a larger national trend where 80% of not-for-profit hospitals provide less in community benefits than the value of their tax exemptions, amounting to a \$25.7 billion shortfall.

Some institutions, such as Middlesex, Day Kimball, and Connecticut Children's Medical Center, allocate as little as 1–2% of their community benefit budgets to charity care.⁹

Connecticut's fair share deficit is enough to erase the medical debt of 240,612 state residents. That's 69% of all medical debt in Connecticut.¹⁰

3. 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, only 36% of Connecticut hospitals measured were in compliance with federal transparency regulations.¹¹ 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.”¹²

4. Executive Compensation

High executive compensation in Connecticut’s not-for-profit hospitals has been a contentious issue, leading to debates about whether these compensation packages align with the charitable missions of these institutions.

In 2016, State Representative Susan Johnson suggested that non-profit hospitals that pay executives more than \$500,000 annually can afford to contribute to their communities by paying property taxes. Then Governor Dannel Malloy argued that nonprofits that provide their executives with exorbitant pay do not function as nonprofits.¹³ Importantly, there is no evidence linking higher CEO compensation and improved community benefit performance.

Compensation of selected Connecticut not-for-profit executives:

- Vincent Tammaro, Yale New Haven Health Services: \$8,362,596¹⁴
- William Aseityne, Yale New Haven Health Services: \$ \$4,635,093¹⁵
- James E. Shmerling, Connecticut Children’s Medical Center: \$2,077,281¹⁶
- Michael Daglio, Hartford Healthcare Medical Group: \$ \$1,445,846¹⁷
- Jeffrey Cohen, Hartford Healthcare Medical Group: \$1,347,089¹⁸
- Haklai Lau, Hospital of Central Connecticut: \$1,140,550¹⁹
- Vincent Petrini, Yale New Haven Health Services: \$863,059²⁰
- Jennifer Jackson, Connecticut Hospital Association: \$861,072²¹

5. Political Influence and Lobbying

Despite their nonprofit status, Connecticut hospitals engage in substantial lobbying activities through affiliated organizations. The Connecticut Hospital Association (CHA) was the state’s largest lobbyist in 2023–2024, spending \$3.2 million, including \$1.45 million in the first quarter of 2025 alone. Yale New Haven Health and Hartford HealthCare contributed \$214,447 and \$248,266, respectively, during the same period.²²

These lobbying efforts target Medicaid reimbursement rates, hospital taxation, and legislative proposals related to charity care minimums and executive compensation transparency. The CHA’s “Caring for Connecticut” campaign exemplifies how public relations are used to sway public opinion in favor of hospital systems.

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. Recommendations

The issues outlined above highlight the need for increased oversight and accountability in Pennsylvania's not-for-profit hospital sector. 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://www.pahealthaccess.org/wp-content/uploads/2025/06/Healthcare-Provider-Networks-Full-Report.pdf>

² <https://www.documentcloud.org/documents/24421604-ct-medicaid-rate-study-phase-1-final-report-february-2024/>

³ <https://www.documentcloud.org/documents/24421604-ct-medicaid-rate-study-phase-1-final-report-february-2024/>

⁴ Ibid.

⁵ <https://cthealthpolicy.org/study-finds-only-two-thirds-of-ct-patients-getting-primary-care-11th-worst-in-us/>

⁶ Ibid.

⁷ 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.

⁸ <https://lownhospitalsindex.org/hospital-fair-share-spending-2024/>

⁹ <https://portal.ct.gov/ohs/-/media/ohs/community-benefits/ohs-hospitals-community-benefit-summary-and-analysis-fy2022--final-report-and-public-comment.pdf?rev=bfd8591455944e108e72776161defc42>

¹⁰ <https://lownhospitalsindex.org/2023-fair-share-spending/>

¹¹

<https://static1.squarespace.com/static/60065b8fc8cd610112ab89a7/t/64beb5900a0c5603529e96a8/1690219961931/July+20+2023+PRA+Hospital+Price+Transparency+Compliance+Report+2.pdf>

¹² <https://www.economist.com/business/2025/03/20/how-hospitals-inflate-americas-giant-health-care-bill>

¹³ <https://www.greenwichtime.com/printpromotion/article/CEO-pay-would-be-capped-in-proposal-6859745.php>

¹⁴ <https://projects.propublica.org/nonprofits/organizations/222529464>

¹⁵ Ibid.

¹⁶ <https://projects.propublica.org/nonprofits/organizations/60646755>

¹⁷ <https://projects.propublica.org/nonprofits/organizations/371911194>

¹⁸ Ibid.

¹⁹ <https://projects.propublica.org/nonprofits/organizations/60646768>

²⁰ <https://projects.propublica.org/nonprofits/organizations/222529464>

²¹ <https://projects.propublica.org/nonprofits/organizations/60632049>

²² <https://www.ctinsider.com/politics/article/connecticut-lobbyists-cashing-represent-wide-20393975.php>