



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

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

#### **Executive Summary**

This case study explores how Pennsylvania’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.

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#### **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 Keystone State**

Not-for-Profit hospitals in Pennsylvania 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

Hospitals increasingly avoid Medicaid and uninsured patients due to lower reimbursement rates. A study of Medicaid enrollees in Pennsylvania found that 24% of Medicaid patients were unable access timely care to get a primary care appointment.

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.<sup>1</sup>

Many not-for-profit hospitals instead focus on services favored by private insurers, leading to inequities in care. Pennsylvania’s academic medical centers often refuse to participate in health plans’ Medicaid networks, despite their institutional missions and not-for-profit status.<sup>2</sup>

### 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.<sup>3</sup> In 2024, Pennsylvania’s non-profit hospitals’ “fair share deficit” totaled \$2.1 billion.<sup>4</sup>

According to a national ranking from the Lowm Institute, four Pennsylvania hospital systems rank in the top 25 nationally for fair share deficits:<sup>5</sup>

- UPMC Presbyterian Shadyside, **\$44 million** in profit and a fair share deficit of -\$246 million. (1<sup>st</sup> Place)
- Hospital at the University of Pennsylvania, **\$304 million** in profit and a fair share deficit of -\$151 million. (4<sup>th</sup> Place)

- Lehigh Valley Hospital, **\$118 million** in profit and fair share deficit of -\$85 million. (15<sup>th</sup> Place)
- Thomas Jefferson University Hospital, **\$580 million** in profit and fair share deficit of **-\$69 million**. (23<sup>rd</sup> Place)

According to a Lown Institute study, the total statewide fair share deficit for Pennsylvania would be enough to wipe out an astounding 91% of Pennsylvanians' medical debt. Pennsylvania's statewide fair share deficit is enough to wipe out the losses of the state's rural hospitals four times over.<sup>6</sup>

### **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 16% (14 of 76) hospitals measured were in compliance with federal transparency regulations.<sup>7</sup>

But the complexity of medical billing and the nuances of reimbursement often make it difficult to compare services effectively."<sup>8</sup> 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."<sup>9</sup>

### **4. Tax Exemptions and Charity Care**

Not-for-Profit hospitals in Pennsylvania are exempt from various taxes, including property taxes, under the condition that they operate as "purely public charities." This status requires them to provide substantial community benefits. However, challenges have arisen regarding whether some hospitals meet these criteria. In 2023, the Pennsylvania Commonwealth Court denied property tax exemptions to several hospitals, citing concerns over their operations and financial practices.<sup>10, 11</sup> Despite the tax benefits, there is evidence suggesting that many not-for-profit hospitals provide limited charity care. In certain cases, hospitals have reported charity care levels as low as 1–2% of their total community benefits.<sup>12</sup> This raises questions about the adequacy of services provided to underserved populations.

### **5. Executive Compensation**

High executive compensation in Pennsylvania'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 some cases, courts have

considered excessive executive pay as indicative of a profit motive, potentially jeopardizing tax-exempt status.<sup>13</sup>

Annual compensation of selected Pennsylvania not-for-profit executives:

- Leslie C. Davis, University of Pittsburgh Medical Center: \$11,376,172<sup>14</sup>
- Madeline Bell, Children’s Hospital of Philadelphia: \$3,693,215<sup>15</sup>
- Richard J Webster, Thomas Jefferson University Hospital: \$1,151,040<sup>16</sup>
- Edward Jimenez, Main Line Health: \$1,161,968
- Kurt Wrobel, Geisinger: \$1,137,432<sup>17</sup>
- Keith Kasper, Penn Medicine: \$1,716,989<sup>18</sup>

## 6. Political Influence and Lobbying

Not-for-Profit hospitals and their associations engage in significant lobbying efforts. In 2024, the Hospital and Healthsystem Association of Pennsylvania (HAP) spent \$1.1 million on lobbying activities.<sup>19</sup> Additionally, healthcare-related entities in Pennsylvania collectively spent nearly \$30 million on lobbying in 2022, surpassing expenditures in other sectors such as energy and education.<sup>20</sup> These activities raise concerns about the influence of not-for-profit hospitals on healthcare policy and regulation.

## 7. Transparency and Accountability

Transparency in financial and operational practices is crucial for maintaining public trust in not-for-profit hospitals. However, there have been instances where hospitals have been criticized for lack of transparency, particularly regarding executive compensation and the allocation of community benefits. For example, some hospitals have reported “uncompensated” care figures based on inflated charge rates, leading to questions about the accuracy of their reporting.<sup>21</sup>

## 8. 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.

## 9. 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](#).

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<sup>1</sup> <https://www.spotlightpa.org/statecollege/2025/07/medicaid-pennsylvania-trump-federal-budget-rural-hospitals/#:~:text=The%20law%20cuts%20federal%20Medicaid,until%20after%20the%202026%20election.>

<sup>2</sup> Hillman AL, Goldfarb N, Eisenberg JM, Kelley MA. An academic medical center's experience with mandatory managed care for Medicaid recipients. *Acad Med*. 1991 Mar;66(3):134-8. doi: 10.1097/00001888-199103000-00003. PMID: 1997023.

<sup>3</sup> 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.

<sup>4</sup> <https://lownhospitalsindex.org/hospital-fair-share-spending-2024/>

<sup>5</sup> <https://lownhospitalsindex.org/2023-fair-share-spending/>

<sup>6</sup> <https://www.pahealthaccess.org/four-pa-hospitals-top-the-nation-in-new-rankings-but-not-for-good-reasons/>

<sup>7</sup>

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

<sup>8</sup> <https://www.economist.com/business/2025/03/20/how-hospitals-inflate-americas-giant-health-care-bill>

<sup>9</sup> <https://www.economist.com/business/2025/03/20/how-hospitals-inflate-americas-giant-health-care-bill>

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- <sup>10</sup> RSM US LLP. Pennsylvania court rejects nonprofit hospital property tax exemptions. 2023.
- <sup>11</sup> Duane Morris LLP. Supreme Court of Pennsylvania clarifies HUP test, holds Pottstown Hospital is purely public. 2023.
- <sup>12</sup> Local PA News. Nonprofit hospitals under growing scrutiny over how they justify billions in tax breaks.
- <sup>13</sup> Bloomberg Tax. Lessons for nonprofit executive pay in Pottstown Hospital ruling. 2023
- <sup>14</sup> <https://projects.propublica.org/nonprofits/organizations/208295721>
- <sup>15</sup> <https://projects.propublica.org/nonprofits/organizations/231352166>
- <sup>16</sup> <https://projects.propublica.org/nonprofits/organizations/232829095>
- <sup>17</sup> <https://projects.propublica.org/nonprofits/organizations/232311553>
- <sup>18</sup> <https://projects.propublica.org/nonprofits/organizations/863800365>
- <sup>19</sup> Spotlight PA. Hospital and healthcare lobby spending in Pennsylvania. 2025.
- <sup>20</sup> LittleSis. Healthcare giants dominate lobbying in Pennsylvania. 2022.
- <sup>21</sup> Associated Press. Hospitals inflate charity care by reporting charges instead of costs.