

Rural Hospitals' Charitable Exemption

by Tim Size, Executive Director, Rural Wisconsin Health Cooperative, Sauk City

America is a large and noisy place. We are a people with strong conflicting beliefs and self interests. I only have to go back to my mother's grandfather to be at our country's Civil War. Today, maybe the loudness of endlessly broadcast shouting commentators makes it hard for us to see what we hold in common.

People and countries around the world mostly organize themselves to provide services in three ways—through family and friends, through for-profit businesses or through government. In America, more than anywhere else, we have a robust fourth way we call non-profit charities—churches, hospitals, voluntary fire departments, to name a very few.

Non-profits are a key component in American health care and to rural health in particular. The backbones of rural health are what we call hospitals, developed by communities and religious orders to serve critical local health needs. Initially the focus was on caring for a patient in a bed. Now it also includes outpatient care and the health of the community. These hospitals' core purpose has always been to minimize the effects of disease and injury and to maximize health. Non-profit hospitals reinvest all of their "profit" in that purpose.

To do this well requires non-profit board leadership fully exercising their responsibilities on behalf of the wider community. At that same time, the board needs to allow their administrator to administrate. Keeping and respecting this balance is at the heart of every successful non-profit.

Senator Chuck Grassley of Iowa, a long time champion of rural hospitals, is leading Congressional action to restore the distinction between "non-profit" and "for-profit." While for-profits focus on making money for their owners (such as my retirement fund), all non-profit gains must always serve and be reinvested in the wider community.

We are in an unsettled period of redefining what is and is not appropriate non-profit behavior. The Internal Revenue Service has greatly expanded what non-profits must report as community benefits. While there is growing agreement about what constitutes "community benefit," it is a work in progress. As all levels of government are increasingly desperate for tax revenue, you can expect non-profit tax-exemptions to come under even tighter scrutiny.

If you live in a community with multiple hospitals within a mile or two, the continuation of any one hospital is not in and of itself a community benefit. While most rural non-profit hospitals would meet any definition of community service, most definitions fail to acknowledge a non-profit rural hospital's



central purpose. These hospitals were created and are maintained by their communities or sponsors to provide care locally—care that without these hospitals, would not be available locally.

Running a rural hospital has always been hard work given the uncertainty of patients' needs from one day to the next, the higher rural costs of doing business and the perpetual challenges of recruiting professional staff. While there are exceptions, rural hospitals have not generally been a magnet for for-profit enterprise.

We need to assure that the growing regulation of non-profits and their charitable exemption recognizes the community benefit most central from a rural perspective. Providing quality and reasonably priced care locally is a rural community benefit.