875 N. Michigan Avenue, Suite 3100
Chicago, IL 60611
www.lugpa.org

June 30, 2026

Chairman Jason Smith
United States House of Representatives
1011 Longworth House Office Building
Washington, D.C. 20515

Ranking Member Richard Neal
United States House of Representatives
372 Cannon House Office Building
Washington, DC 20515

CC: The Honorable Greg Murphy

Dear Chairman Smith and Ranking Member Neal:

The Large Urology Group Practice Association (LUGPA), which represents 150 urology group practices nationwide, comprising more than 2,100 physicians who collectively provide over one-third of all urology care in the United States, is pleased to strongly endorse H.R. 9504 "The Tax-Exempt Hospital Transparency Act." LUGPA believes improved transparency on how these nonprofit hospitals are using their tax advantages and 340B prescription drug profits will encourage a greater focus on community benefit and help deter increased provider consolidation, which only raises costs and hampers competition and patient choice.

The Need for Transparency of Tax-Exempt Hospitals

Currently, there is no minimum level of charity care that must be provided by a tax-exempt hospital. Rather, tax-exempt hospitals are required to provide "community benefit." The reporting format of community benefit is qualitative and does not require nonprofit hospitals to specify the amount used to improve patient access and quality of care. The Government Accountability Office reports that ambiguous standards of what constitutes community benefits allow "tax-exempt hospitals [to] have broad latitude to determine the community benefits they provide, but the lack of clarity creates challenges for the IRS."[1]

Several Ways and Means Committee oversight hearings and numerous press reports document concerning trends where many large non-profit hospital systems are devoting substantial resources for executive compensation and advertising but providing minimal charity care and community benefit. It is unfortunate and concerning that non-profit hospitals spent only 57 percent of the value of their tax breaks on charity,[2] and about 80 percent of all nonprofit hospitals spent less on financial assistance and community investment than the estimated value of their tax breaks.[3]

---

[1] *Testimony Before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives*, Jessica Lucas-Judy, GAO, April 2023
[2] *Executive Charity: Major Non-Profit Hospitals Take Advantage of Tax Breaks and Prioritize CEO Pay Over Helping Patients Afford Medical Care*, Senator Bernie Sanders, United States Seante Health, Education, Labor, and Pensions Committee, October 2023
[3] *Hospital Community Benefit Spending*, Lown Institute, March 2024

Policymakers are reasonable to question how communities have benefited from the hospital tax exemption, valued at $28 billion in 2020[4] (and much greater today), when the average tax-exempt hospital devotes just 2.3% of its revenue to charity care, 50 percent less than the 3.8% level provided by tax-paying hospitals.[5]

Recent reporting by investigative journalists in the New York Times, the Wall Street Journal, and other prominent outlets demonstrates that many tax-exempt hospitals are not fulfilling their mission to serve America's neediest patients. [6] [7] [8] On the contrary, these public reports clearly show that some hospitals are pursuing the most vulnerable patients in financial duress with often abusive collections practices for unpaid medical bills.

Even as they do not comply with obligations borne from their not-for-profit status, these hospitals are increasingly using tax-free resources and 340B revenue to pursue provider acquisitions and mergers that can actually reduce access and drive up costs for all consumers without a verifiable increase in quality of care.[9] These types of acquisitions of independent physician practices can deprive communities of critical care and result in workforce wage reductions.[10]

Importantly, the tax-exempt designation is a critical criterion for the 340B drug discount program eligibility. We note that the research by the Medicare Payment Advisory Commission found that hospitals were acquiring 340B drugs at discounts of more than 58 percent.[11] But rather than pass those discounts on to patients, the hospitals charge commercial plans, Medicare and even uninsured patients market rates, thereby banking substantial 340B profits.

Policymakers are justifiably concerned about the implications of this phenomenon, as the 340B program has increased 10-fold, from $6.6B in 2010 to $66 billion in 2023, with recent year-over-year growth at 24 percent [12]. LUGPA's concern is that these profits are used to squelch competition by buying competing physician practices rather than assisting patients in need with their prescription drug costs.

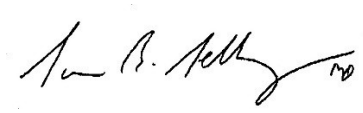
[4] *The Estimated Value of Tax Exemption for Nonprofit Hospitals Was About $28 Billion in 2020*, Kaiser Family Foundation, March 2023
[5] *Analysis Suggests Government And Nonprofit Hospitals' Charity Care Is Not Aligned With Their Favorable Tax Treatment*, Ge Bai et al., April 2021
[6] Associate Secretary for Planning & Evaluation, HHS, available at https://aspe.hhs.gov/sites/default/files/documents/0d2c04fec395bc8c573c5b20c189cdd0/enviromental-scanconsolidation-hcm.pdf. See also https://www.vox.com/policy-and-politics/2023/1/20/23560762/hospital-mergersuk-study-deaths-readmissions. (According to VOX, in 2005, about half of US hospitals were part of a larger system. By 2017, two-thirds were. Most places in the US have what is considered a highly concentrated hospital market, which means one company operates most of the hospital facilities in the area.)
[7] https://www.medpagetoday.com/special-reports/features/103127 (Focused on NC hospitals, this report noted that CEOs and top executives at North Carolina's nonprofit hospitals made over $1.75B between 2010 and 2020, as worker wages were stymied, medical debt mounted, and a lack of transparency persisted.)
[8] Medicare Payment Advisory Commission. "Report to the Congress: Medicare Payment Policy," March 2020. Available at https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar20_entirereport_sec.pdf
[9] https://pmc.ncbi.nlm.nih.gov/articles/PMC12188212/
10 Many Hospitals Get Drug Discounts. That Doesn't Mean Markdowns for Patients. The Wall Street Journal. December 20, 2022
11 They Were Entitled to Free Care. Hospitals Hounded them to Pay. New York Times. September 24, 2022.
12 How a Hospital Chain Used a Poor Neighborhood to turn Huge Profits. The New York Times. September 24, 2022

The Tax-Exempt Hospital Transparency Act Provides Solutions

The "Tax Exempt Hospital Transparency Act" provides much-needed transparency into how large and high-revenue tax-exempt hospitals benefit their communities, requiring identification of action taken to address high-priority health needs as well as spending on quality improvement and nonclinical programming. Further, requiring tax-exempt hospitals to disclose the number of financial assistance applications received, granted, and denied, along with the value of financial assistance the hospital provides, will allow policymakers and patients to better understand how these organizations are utilizing their tax benefits to help those patients who are most in need and pressure better behavior.

Finally, the Tax-Exempt Hospital Transparency Act provides the public and policymakers a better understanding of tax-exempt hospitals' opaque financial practices, particularly surrounding the 340B Program, by requiring large tax-exempt hospitals to disclose the aggregate net 340B revenue and total number of individuals by their insurance coverage who were dispensed 340B drugs. For the first time, the community and policymakers will know the value of how much each large hospital receives in 340B profits. This public disclosure can compel a greater focus on assisting patients and less focus on using those resources to pursue provider acquisitions and consolidation.

Sincerely,



Scott Sellinger, MD, FACS
President