

# ROBBINS FREED

ROBBINS FREED & ROSS LLC

JOSH BELINFANTE  
DIRECT LINE: 404-856-3262  
Email: josh.belinfante@robbinsfreed.com

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The Honorable A.D. Frazier, Chairman  
Georgia Special Council on  
Tax Reform and Fairness for Georgians  
c/o Ms. Lindsey Napier  
Georgia House of Representatives  
Georgia General Assembly  
206 Washington Street, SW  
Atlanta, Georgia 30334

Dear Chairman Frazier:

This letter is written on behalf of the HCA Inc.'s eleven affiliated hospitals and nine affiliated ambulatory surgery centers located throughout the State. HCA applauds the work of the Special Council on Tax Reform and Fairness for Georgians ("Tax Council"), and it is grateful for the work that you are all performing on behalf of all Georgians.

Though HCA has been prepared to provide information to the Tax Council if requested, HCA was not going to proactively engage in the tax debate until it reviewed assertions made in a November 30, 2010 letter from the Georgia Alliance of Community Hospitals, a trade association representing many of Georgia's tax-exempt hospitals (the "Alliance"). In this limited response, HCA will not address the merits of providing tax exemptions for certain hospitals, but HCA feels compelled to provide the Tax Council with a more complete picture of its contributions to the State of Georgia.

It is important for the Tax Council to understand the positive economic and social impact HCA has on the State of Georgia. As summarized by the attached document ("HCA Report"), HCA benefits Georgia through:

- Infrastructure:
  - 11 Affiliated Hospitals
  - 9 Affiliated Surgery Centers
  - 1,946 Licensed Beds
  - 9,215 Employees

- Community Benefit: \$400,721,025 in uncompensated care.
  - Charity Care: \$118,160,049
  - Bad Debt: \$179,758,024 (30% as charity represents \$53,927,407)<sup>1</sup>
  - Uninsured Discounts: \$102,802,952
  
- State Property, Sales and Use, and Income Taxes: \$30,336,795
  - Property: \$8,142,907
  - Sales and Use: \$10,331,746
  - Income \$11,862,142. <sup>2</sup>

Thus, like the Alliance's tax-exempt hospitals, HCA's community benefit exceeds its income, sales, and property tax liability by \$370,384,230.

With this background in mind, HCA further responds to specific statements in the Alliance's letter. First, the Alliance claims that its members are less profitable than "other industry sectors, including publicly held, investor-owned healthcare companies that own for-profit hospitals." HCA is not in a position to opine on the profitability of Georgia's tax-exempt hospitals, but it is important to point out that the Alliance does not compare only tax-paying to tax-exempt hospitals: Slide 12 of the Cleverly and Associates' report compares some of Georgia's tax-exempt hospitals to "160 publicly traded companies in the hospital, long term care, outpatient surgery and other provider sectors." It seems more logical that HCA and Alliance hospitals face similar challenges: high uninsured and uncompensated care, often low Medicaid reimbursement and the growing cost of medical equipment. Consequently, the fact that a hospital is exempt from taxes does not mean it would be less profitable. If anything, taxes tend to decrease profitability.

Second, the Alliance asserts that its members "reinvest substantially more in their local community than do Georgia for-profit hospitals." The numbers outlined above demonstrate HCA's significant investment in Georgia, and they speak for themselves. As important, however, is that the Alliance makes its claim (found in the Cleverly and Associates' report on slides 15 through 17) based on the very narrow statistic of investment in plant and equipment. Not only does a singular focus on physical plant and equipment provide a very limited view of "reinvesting," it also ignores the over \$30 million HCA pays in various state taxes. Put simply, if HCA's facilities were exempt from property, sales, and income taxes, they too would likely expand at the rate of the tax-exempt hospitals.

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<sup>1</sup> The Alliance suggests that 30% of bad debt should be written off as charity care.

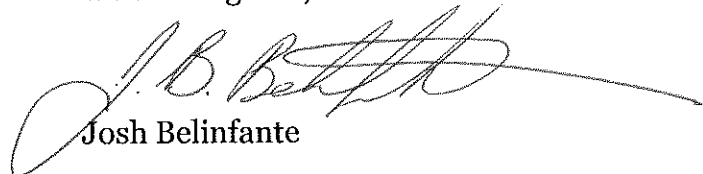
<sup>2</sup> HCA also pays \$1,266,590 in state franchise, license, premium, and unemployment insurance tax.

Third, the Alliance concludes that its members have earned their tax-exempt status because they provide significant community benefits. It is doubtlessly true that Alliance hospitals benefit their local community, but Georgia law does not define "community benefit." Consequently, the Alliance relies on a study prepared for it by Pershing Yoakley. Slide six of the Alliance's report defines uncompensated community benefits as (1) charity and indigent care; (2) Medicaid shortfall; (3) presumptive charity care portion of bad debts; and (4) miscellaneous Form 990 Schedule H activity. Slide 12 of the same report explains and "charity and indigent care" comprise 48% of the total community benefit; the Medicaid "shortfall" represents 34%, and the "presumptive charity care" makes up 12% of the total. Together, these three expenses represent 94% of the Alliance members' community benefit.

There is little difference between 94% of what the Alliance claims as its members' community benefit and the efforts of HCA facilities and employees. As demonstrated above, HCA's charity and indigent care commitment over its tax liability is at least equal to the represented average Alliance members'. The Medicaid shortfall is not a community benefit unique to tax-exempt hospitals: Georgia law mandates that all hospitals – regardless of tax status – accept Medicaid as a condition of a certificate of need, a requirement of operation. And HCA facilities face the same Medicaid "shortfalls" as Alliance hospitals. Last, the "presumptive charity care" of bad debt would be the same for tax-paying and tax-exempt hospitals. Thus, as explained by the Georgia Health Policy Center in January 2009: "Georgia, non-profit hospitals' share of uncompensated care does not differ significantly from otherwise similar for-profit hospitals, according to the Congressional Budget Office." See Issue Brief: Non-Profit Hospitals, Tax-Exemption and Community Benefits (attached hereto as "GSU Report").

On behalf of HCA's facilities and employees, we again thank the Tax Council for its consideration of Georgia's tax policies. HCA looks forward to maintaining a strong and beneficial presence in Georgia. Should the Tax Council need any additional information, please do not hesitate to contact me.

Kindest regards,



Josh Belinfante

Attachments

# GEORGIA

## Total Facilities

Hospitals	11
Surgery Centers	9

**Number of Licensed Beds** 1,946

**Total Employees** 9,215

**Total Payroll** \$ 422,175,212

**Total Capital Invested** \$ 1,232,841,581

## Uncompensated Care

Charity	\$ 118,160,049
Bad Debt	\$ 179,758,024
Uninsured Discount	\$ 102,802,952
<b>Total Uncompensated Care</b>	<b>\$ 400,721,025</b>

## State Taxes Incurred

Property Tax	\$ 8,142,907
Sales/Use Tax	\$ 10,331,746
Franchise Tax	\$ 73,345
License Tax	\$ 265,612
Indigent Tax	\$ 0
Premium Tax	\$ 30,256
State Income Tax	\$ 11,862,142
State U.I. Tax	\$ 897,377
<b>Total State Taxes</b>	<b>\$ 31,603,385</b>

Investing in our Communities  
Annual Investment by State Report Year Ending 2009