Entering the Debate

BY WILLIAM E. KESSLER

The Catholic healthcare ministry has a vital interest in the issue of healthcare reform. Our history and traditions uniquely qualify us to influence the debate over designing a new healthcare system. Moreover, our values can and should support the development of a credible, just, and comprehensive healthcare system for all. These values derive from the roots of our Christian tradition, which calls us to work on behalf of societal good, rather than to focus exclusively on the good of individuals.

The CHA Leadership Task Force on National Health Policy Reform has been working since December 1990 to develop a healthcare reform proposal to recommend to the Catholic Health Association (CHA) Board of Trustees for adoption and policy guidance in the escalating debate on healthcare reform (see "CHA Seeks Input on Systemic Reform Proposal," *Health Progress*, December 1991, pp. 12-16).

Value Tradition

CHA's entry into the healthcare reform debate begins with its value tradition and with a solid history of advocating for righting the wrongs of the healthcare system:

- In 1984 the CHA Stewardship Task Force recognized that the needs of the healthcare poor were central to the Catholic healthcare ministry and helped shape a consensus on basic assumptions related to justice in healthcare.
- The publication of *No Room in the Marketplace: The Health Care of the Poor* in 1986 reestablished CHA's support for universal access and reaffirmed CHA's belief that the federal government has the ultimate responsibility for ensuring this obligation is met. It also recommended an enhanced commitment by CHA members to the provision of healthcare services to the poor.
- As a companion piece to *No Room in the Marketplace*, the CHA publication *A Time to Be Old, a Time to Flourish: The Special Needs of the Elderly-at-Risk* (1988) advocated integrated healthcare services and a continuum of care as the preferred method of delivering long-term care services to the frail elderly and urged that healthcare reform efforts focus first on the delivery system.
- In 1989 *The Social Accountability Budget: A Process for Planning and Reporting Community Service in a Time of Fiscal Constraint* called on healthcare facilities to work collaboratively with other public and private organizations to find solutions to healthcare problems in their communities.
- In 1990 CHA developed *Charting the Future: Principles for Systemic Healthcare Reform* to serve as the policy directive for CHA advocacy efforts with regard to systemic healthcare reform.
- The CHA 2000 Task Force report, published in 1991, emphasizes CHA's role as an advocate at the federal level on a broad range of healthcare and access issues and as a leader in the movement toward a redesigned U.S. healthcare system that is just and equitable.
- Finally, *With Justice for All? The Ethics of Healthcare Rationing* was developed in 1991 to assess the ethical defensibility of current or proposed rationing schemes, especially those shaped primarily by government policy decisions.

Mr. Kessler is president and chief executive officer, Saint Anthony's Health Center, Alton, IL, chairperson of the Catholic Health Association Board of Trustees, and a member of the CHA Leadership Task Force on National Health Policy Reform. The emblem (left) *represents the need to encompass society's members in a system that provides comprehensive services for all.*

The Real Focus

Thus the CHA Leadership Task Force on National Health Policy Reform has rich resources to draw on in developing a healthcare reform proposal that is true to our values and "sets relationships aright." But even as we debate the technical and political aspects of this issue, we know that the real focus is men and women and chil-

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> The task force offers a vision of reform distinctly different from other proposals.

dren in this blessed country who, through no fault of their own, are being excluded daily from full participation in the world's most technologically advanced and sophisticated healthcare system.

In proposing a delivery system that responds to the healthcare needs of people, families, and communities, the task force offers a vision of healthcare reform that is not only distinctly different from other reform proposals but also is in perfect harmony with our ministry values and Catholic social teaching. In forthrightly addressing the problem of unsustainable healthcare inflation, the task force has, by suggesting an essential reform of the current system, placed at risk the status quo and thus achieved, in my opinion, a credibility that guarantees CHA a seat at the political table to debate the issue of systemic healthcare reform with all stakeholders.

A Just and Equitable System

This initiative is drawn from our CHA 2000 Task Force report, which calls CHA to be a leader in the movement toward a redesigned U.S. healthcare system that is just and equitable. This same vision statement challenges us to refrain from seeking easy solutions or making proposals that provide comfort by preserving the status quo. Our vision and our proposal do neither, but they are worthy of the important work to which we have been called. □

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in addition to their ongoing regular examination activities. Also, for the second time in two years, the IRS is revising and expanding the examination guidelines for hospitals.

The Treasury Department and the IRS have told Congress that it can expect compliance in the tax-exempt sector to improve if it authorizes intermediate sanctions, short of revocation, for certain abuses. IRS agents often find it difficult to propose revocation of exemption for an important community resource such as a hospital when the abuse involves only a small part of its activities. This reluctance may have insulated some misconduct or may have encouraged aggressive transactions that could cross the line into prohibited private inurement. Charitable hospitals should watch developments in this area carefully and begin thinking now about whether any recent activities or arrangements in which they have engaged warrant reconsideration.

Demonstrate Community Benefit

Midway through the 102d Congress, it is impossible to predict whether the standards for hospital tax exemption or the sanctions for failing to meet them will be revised. For now, individual facilities should heed the questions being raised at the federal, state, and local levels and take stock of how well they fulfill their tax-exempt purposes. Although views on what standards should apply may vary, one thing is certain: Hospitals will be best prepared to meet any challenge to exemption—judicial, legislative, or administrative—by being able to demonstrate how they benefit their communities. □

NOTES

1. John Copeland and Gabe Rudney, *Federal Tax Subsidies for Not-for-Profit Hospitals*, 46 Tax Notes 1559 (1990).
2. IRC Sec. 501(c)(3) does not specifically mention hospitals or healthcare, but lists certain types of organizations that are exempt, including those organized and operated exclusively for religious, charitable, scientific, or educational purposes.
3. *Eastern Kentucky Welfare Rights Organization v. Simon*, 426 U.S. 26 (1976), vacating, 506 F.2d 1278 (D.C. Cir. 1974) (Brief for Secretary of Treasury at 94).
4. *Eastern Kentucky Welfare Rights Organization* (Brief for Secretary of Treasury at 89).
5. Consolidated Omnibus Budget Reconciliation Act of 1985, Public Law 99-272, Sec. 9121(b), 100 Stat. 1874, 1996, codified as amended at 42 U.S.C. Sec. 1395dd.
6. H.R. Rep. No. 241, Pt. 1, 99th Cong., 1st Sess. 27 (1986).
7. Omnibus Budget Reconciliation Act of 1989, Public Law 101-239, Sec. 6018, 103 Stat. 2106, 2165.
8. U.S. General Accounting Office, "Nonprofit Hospitals: Better Standards Needed for Tax Exemption," HRD-90-84, Washington, DC, May 1990.
9. Chapter 42 of the Internal Revenue Code (Secs. 4940-4948) imposes excise taxes on certain tax-exempt organizations that engage in specified activities or transactions.
10. John Paul Arnerich, "For Non-Profit Hosptals, a Hard Time from Feds?" *National Catholic Register*, April 14, 1991.
11. Lewin/ICF, "The General Accounting Office Report on Hospital Tax Exemption: An Analysis," July 11, 1990; reprinted in 3 Exempt Organization Tax Review 751 (September 1990).
12. Catholic Health Association, *Agenda for Advocacy*, St. Louis, 1991.
13. *Social Accountability Budget: A Process for Planning and Reporting Community Service in a Time of Fiscal Constraint*, Catholic Health Association, St. Louis, 1989.
14. See *Utah County v. Intermountain Health Care, Inc.*, 709 P.2d 265, 270 (Utah 1985). ("Traditional assumptions bear little relationship to the economics of the medical-industrial complex of the 1980's.")
15. See, for example, *Medical Center Hospital of Vermont, Inc. v. City of Burlington*, Chittendon County Super. Ct., Docket No. S-658-87 CnC (Vt. Super. 1987), *aff'd*, 566 A.2d 1352 (Vt. 1989); *School District of the City of Erie v. Hamot Medical Center*, No. 138-A-1989 (Ct. Common Pleas, Erie County, slip op. May 18, 1990); *St. Luke's Hospital v. Board of Assessment Appeals*, No. 88-C-2691 (Ct. Common Pleas of Lehigh County, Apr. 19, 1990); *Downtown Hospital Ass'n v. Tennessee State Bd. of Equalization*, No. 87-1612-III (Ch. Ct., 20th Jud. Dist., Davidson County Tenn., Feb. 4, 1988); *Callaway Community Hospital Ass'n v. Craighead*, 759 S.W. 2d 253 (Mo. Ct. App. 1988).
16. Internal Revenue Service, *Auditing Tax Exempt Hospital Systems* (videotape) and User Guide, 1990. Reprints of the tape, obtained under the Freedom of Information Act, are available for $10 from the Catholic Health Association, St. Louis. Contact Karen Kaltenbach at 314-427-2500, ext. 258.