Big Nonprofit Hospitals Expand in Wealthier Areas, Shun Poorer Ones

Despite lucrative tax breaks for nonprofits, nonprofit hospital systems focus growth on higher-income communities, study finds

Ascension, Kaiser Permanente, Catholic Health Initiative, Trinity Health systems focus growth on higher-income areas, study finds

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Updated Oct. 15, 2019 11:00 am ET

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Many of the nation's largest nonprofit hospital systems, which give out in power consumers lucrative tax breaks, have been locking their prices and moving into wealthier neighborhoods, a study of hospital spending patterns shows.

Ascension, three regional and national parents (top 20 billion in hospital revenues annually), by one Johns Hopkins University researcher's estimate, among their obligations, they are expected to provide free medical care to those least able to afford it.

Many top nonprofits, however, avoid communities where most people are likely to need charity care, the study of Ascension, Kaiser Permanente, Catholic Health Initiative and Trinity Health systems given, many more likely to shower or close hospitals in higher-income communities than to aid them.

Since 2005, half the hospitals directed by Connecticut's Health, a large Catholic system based in Chicago, were in communities where the poverty rate was above the median for state hospital markets, compared with 20% of those it added.

At Kaiser Permanente, Oakland, the 2018 merger of two growing regional nonprofits, the share of patients with private insurance was in areas with higher poverty, compared with 47% of hospitals it added.

Of hospitals directed or closed by St. Louis-based Ascension, about half were located in higher-poverty areas, compared with 40% of the Catholic system's acquisitions.

Percentage of hospital transactions in markets with higher-income insurance and higher poverty

Note: High-income/poverty transactions were defined as those in the top half of median household income or poverty rate in the state hospital market where the transaction occurred. Transactions involving hospitals in markets with median household income or poverty rate in the top 10% were excluded. Transactions involving hospitals in markets with median household income or poverty rate in the top 10% were excluded. Transactions involving hospitals in markets with median household income or poverty rate in the top 10% were excluded. Transactions involving hospitals in markets with median household income or poverty rate in the top 10% were excluded.

Sources: Kaiser Permanente, Trinity Health, Ascension, Connecticut Health, Kaiser Permanente, Baylor Scott & White Health, Bon Secours Mercy Health, Catholic Health East, Providence, UPMC, Mercy, Catholic Health Initiative, Trinity Health, Kaiser Permanente

Ascension spun off Saint Anthony with financial support in response to local hospital officials' wish to break from the system, the Ascension spokesman said.

Since being on its own, Saint Anthony has reported losses from caring for patients. It has prioritized critical repairs as it seeks funding to complete its new hospital development, said executives.

After exiting Saint Anthony, Ascension acquired other Chicago-area hospitals, including a 2012 deal for a system in wealthy Chicago suburbs, the Journal's analysis and city data show.

In 2018, Ascension acquired Presence Health Network, the Chicago area's second-largest hospital system. Ascension's growing Illinois network now included a hospital nestled along Lake Michigan and well-to-do Chicago neighborhoods Lincoln Park and Lake View, which includes a unit to treat migraines by a private practice that doesn't accept Medicaid insurance, according to its website.

In the first year, the new hospitals helped boost Ascension's revenue by $1.45 billion, about 6%, according to S&P Global Ratings.

Ascension acquired Presence and other Catholic health systems in the last 20 years to preserve access to Catholic healthcare, a spokesman said. Presence hospitals have lost money since the acquisition, he said.

Ascension has divested money-losing hospitals it acquired in other transactions with Catholic systems, including hospitals it acquired in 2002. Ascension largely pruned the hospitals in transactions with for-profit companies, including Tenet Healthcare Corp. and Apollo's private-equity backed chain.

In Chicago, Ascension said it is pouring money into its newly acquired hospitals, with planned upgrades that are expected to cost $585 million.

Chanell Osborne holds her one-day-old baby, Khaylee Magee, in the maternity ward of Saint Anthony.

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Appeared in the December 27, 2022, print edition as 'Hospitals Shun Poorer Areas'.

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