Testimony of
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Chairman Schweikert, Ranking Member Sewell, and members of the committee: Thank you for inviting me to share my views on the role of nonprofit ownership in the American hospital system. My comments reflect my own views and not those of any organization.

In my testimony today, I will discuss the related questions of whether nonprofit hospitals behave any differently from their for-profit competitors and the importance of nonprofit hospital tax-exemption. These questions have concerned members of Congress and health care policy experts for many decades. In short, since I first began researching hospital ownership almost thirty years ago, the distinct importance of nonprofit hospitals has only grown.

I will focus on three critical implications of nonprofit ownership: First, the outsized role nonprofits play in hospital care across the nation is poorly understood—and even with the benefit of tax-exemption, these hospitals tend to be under financial stress. Second, nonprofit hospitals provide a very different mix of services from their for-profit competitors. Third, the risks of alternative forms of hospital ownership, particularly given the rise of private equity in hospital ownership, are severe.

1. Nonprofit Hospitals are the Backbone of the American Hospital System are Especially Prone to Financial Distress

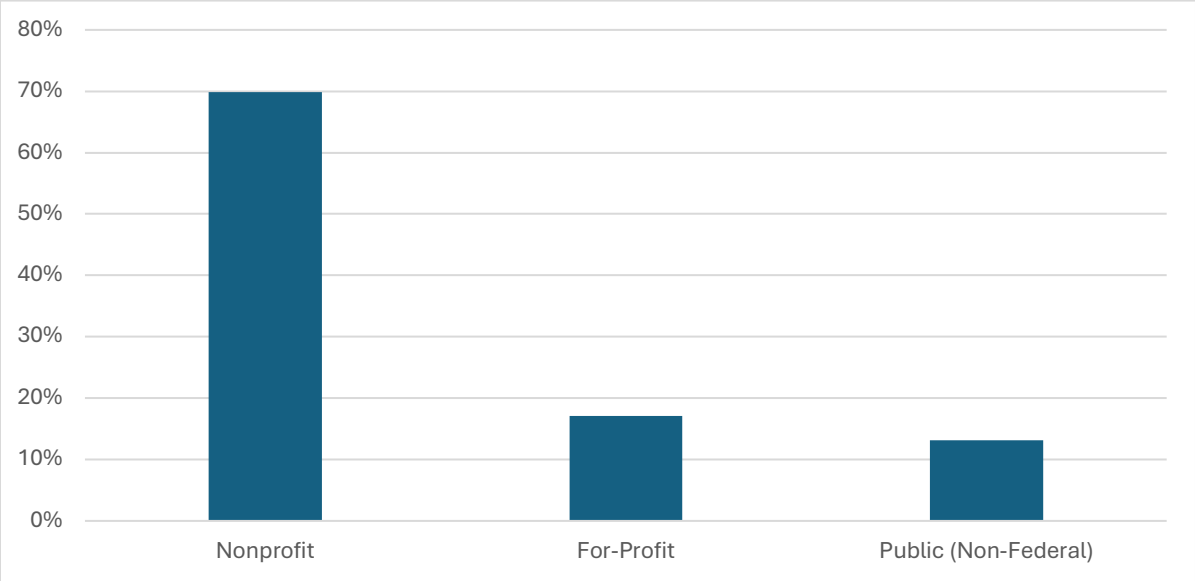
In 2023, there were over 5,000 community hospitals in the United States.[a] There are many ways to categorize these hospitals; roughly speaking, about 58 percent are nonprofit, 24 percent are

[a] Community hospitals are defined by the American Hospital Association as "all nonfederal, short-term general, and other special hospitals. Other special hospitals include obstetrics and gynecology; eye, ear, nose, and throat; long-term acute-care; rehabilitation; orthopedic; and other individually described specialty services. Community hospitals include academic medical centers

for-profit, and the rest are public (non-federal hospitals). But counting hospitals rather than the number of people admitted vastly underestimates the role of nonprofit hospitals. America's hospital system is a predominantly nonprofit system.

Nonprofit hospitals account for almost 70 percent of admissions to community hospitals, whereas for-profits account for only 17 percent, and public hospitals (excluding federal hospitals) account for the rest. Excluding the most profitable specialty hospitals, such as small cardiac and orthopedic hospitals, from the calculations, nonprofits account for an even higher percentage of admissions in the country. Moreover, there are extremely few for-profit hospitals in the most rural regions of the country. Therefore, although rural admissions account for only about 10 percent of hospital admissions, nonprofit and public hospitals are disproportionately important in these communities. Finally, nonprofit hospitals account for almost three-quarters of the teaching hospitals in the country.

Figure 1: Community Hospital Admissions by Ownership Type, 2023



Source: AHA Annual Survey, https://www.aha.org/system/files/media/file/2025/01/Fast-Facts-on-US-Hospitals-2025.pdf

Nonprofit hospitals have long tended to operate at a low financial margin—in fact the ordinary nonprofit hospital typically operates at a negative operating margin in most years.[1] Given these facts, it is not possible for nonprofit hospitals to cover the rising costs providing health care to

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or other teaching hospitals if they are nonfederal short-term hospitals. Excluded are hospitals not accessible by the general public, such as prison hospitals or college infirmaries." https://www.aha.org/statistics/fast-facts-us-hospitals

the uninsured and underinsured in America. In short, they are designed to provide medical services and not insurance.

Moreover, any policy that puts nonprofit hospitals at further financial risk puts our nation's hospital system at risk. Reduced government spending on public insurance, increasing rates of private under and uninsurance, and expected increases in health care costs will cause further financial distress that will affect all American patients. The Congressional Budget Office estimates that the budget reconciliation package signed this summer will reduce Medicaid spending alone by roughly $911 billion over the next decade.[2] Although the budget includes funding of $50 billion for rural health care, it is unclear how much of it will be used for hospitals that are already financially troubled.[3]

In addition to reductions in Medicaid eligibility and enrollment, the continued growth in health care and insurance costs is likely to further reduce the share of people with employer-sponsored insurance.[4] Losses in Marketplace coverage are also expected. Patients without insurance or with high deductibles or other cost-sharing that they cannot afford will be less likely to seek preventive care or non-emergency hospital care. Their arrival at the hospital with emergency conditions will put further strain on hospital finances; nonprofit hospitals, where they are most likely to seek care, will experience particular strain because they are less likely than for-profits to be located in wealthy areas with well-insured populations.[5]

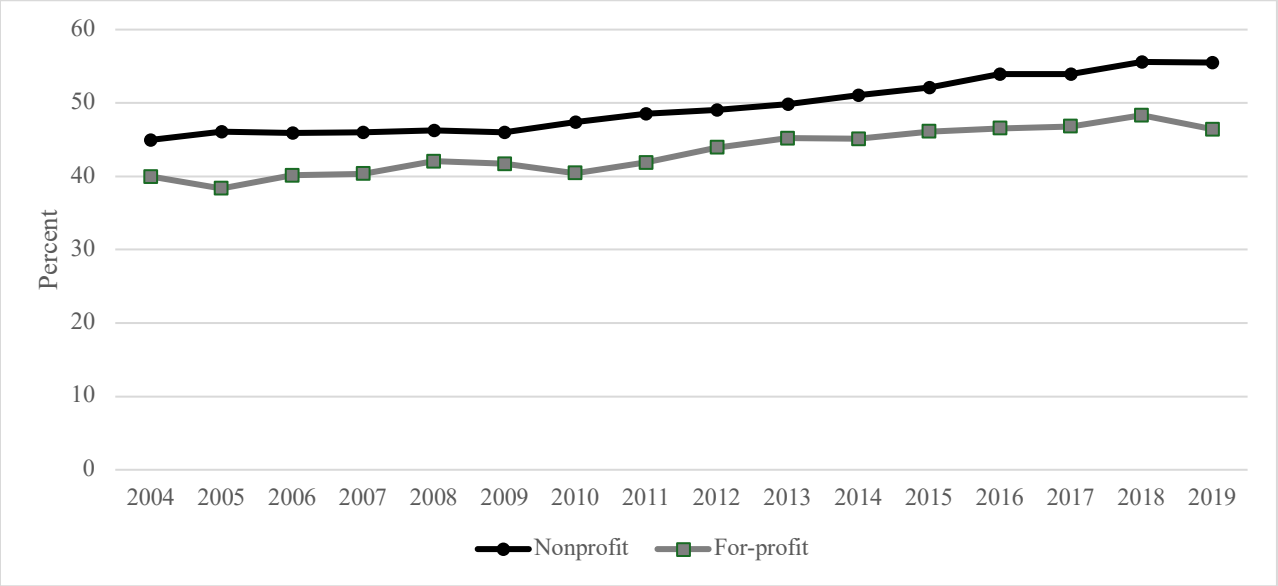
2. Nonprofit Hospital Ownership is Associated with More Needed Medical Services and Less Expensive Care

Because nonprofit hospitals tend to be larger than other hospital types, they are more likely than for-profit or government hospitals to offer every type of medical service. However, even accounting for size, nonprofit status affects which services a hospital chooses to offer.

In several studies based on decades of data, my research has demonstrated that nonprofit and for-profit hospitals have consistently offered different mixes of services, with the differences depending on the relative profitability those services.

Comparing similar hospitals—those of the same size, serving similar populations—nonprofit hospitals are considerably more likely to provide poorly reimbursed, and thus unprofitable, services. These services are disproportionately needed by patients who are uninsured or have inadequate insurance. This pattern is shown in Figure 2 for psychiatric emergency care; and the same pattern is present for many other unprofitable services.

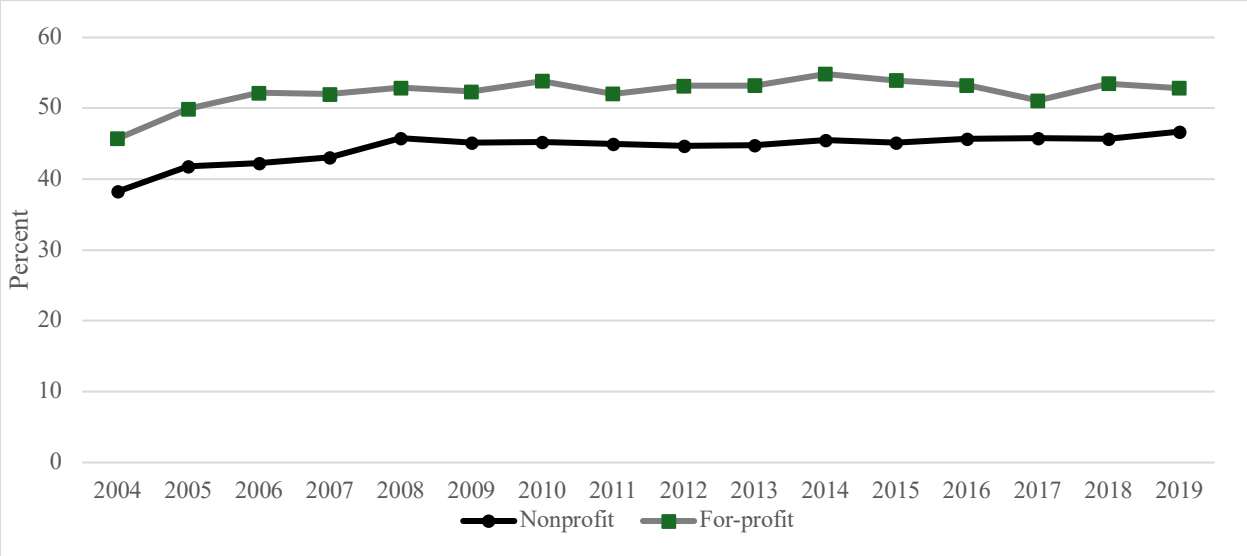
Figure 2: Predicted probability of US hospitals offering psychiatric emergency services by ownership type, 2004–19



Source: Horwitz, Jill & Austin Nichols, "Hospital Service Offerings (Still) Differ Substantially by Ownership Type," Health Affairs 41(3):331-340 (2022).

At the same time, again comparing similar hospitals, for-profits are much more likely to offer over-provided services that are relatively profitable (e.g., invasive cardiac procedures),[6] raising costs to the Medicare system. Figure 3 shows this pattern for cardiac surgery; the same pattern occurs for many other profitable services.

Figure 3: Predicted probability of US hospitals offering adult cardiac surgery by ownership type, 2004–19



Source: Horwitz, Jill & Austin Nichols, "Hospital Service Offerings (Still) Differ Substantially by Ownership Type," Health Affairs 41(3):331-340 (2022).

In a comprehensive, peer-reviewed study of every major service line offered by acute care hospitals, "nonprofits were 6.2 percentage points and government hospitals were 9.0 percentage points more likely than comparable for-profits to offer unprofitable services. In contrast, nonprofits were 4.2 percentage points and government hospitals were 9.3 percentage points …[less]…likely than comparable for-profits to offer profitable services."[7]

Importantly, a hospital's ownership status has significant effects on the service offerings of neighboring hospitals. The more for-profit hospital admissions there are in a hospital market, the less likely a nonprofit or government hospital is to offer unprofitable services (e.g., psychiatric services) and the more likely it is to offer profitable and expensive medical services (e.g., cardiac services). Ownership matters, therefore, not only for access to care and costs at individual hospitals but for all hospitals.

3. The For-Profit Alternatives to Nonprofit Hospital Ownership Involve Heightened Risks

As can be seen above, nonprofit hospitals play a critical role in making medical services available to patients in need. And they are more likely to make socially beneficial decisions about which services to offer than for-profit hospitals. As striking as the conclusions summarized above are, they likely understate the risks of replacing nonprofit hospital ownership with for-profit alternatives.

The studies above looked at for-profit hospitals before the rise of private equity in hospital ownership. At present, if nonprofit hospitals find themselves under more financial pressure than they already face and are forced to sell their assets and operations, the for-profit buyers are likely to be private equity groups. Private equity owners are far more aggressive at seeking profits than were the large, relatively stable, publicly traded hospital companies of prior years.

More and more studies are showing that private equity in health care has damaging consequences. Private equity ownership has led to consolidation of medical service markets and an inherent lack of competition, higher prices, and financial instability. Private equity ownership prioritizes the extraction of profits from health care systems (and, ultimately, from patients) to provide short term benefits to investors, leaving insufficient reinvestment of revenue into operations, medical equipment and facilities, and often resulting in bankruptcies.[8] Indeed, "The preliminary research suggests that PE [private equity] involvement in health care has generated higher costs for society with potentially worse patient outcomes."[9]

In one recent example, the bankruptcy of Steward Health Care—which owned 31 hospitals with 3,600 beds across eight states—left many communities without care. Regulators were unable to protect patients from unsafe facilities, unpaid bills, inadequate staffing, and poor care.[10] State officials did not have the legal power to demand transparency from Steward's owners, power they would have had Steward been a nonprofit. Rather than disclosing their financial status to the state, the company engaged in years of litigation to keep the extent of the sell-off of hospital

assets and financial weakness secret. By the time the facts came to light, it was too late to save some of the hospitals.

Conclusions

At present, the American health care system is facing a very challenging situation. Health care spending, projected to be 18 percent of 2024 GDP, continues to grow; hospital care accounts for nearly a third of that spending.[11] In addition, needs will continue to grow given the aging population, predicted rising insurance and health care expenses, projected declines in employment, and other factors.

Particularly in today's context, it is critical to focus on what hospitals do–provide medical services. Nonprofit hospitals provide vital and sustainable services in communities, and the services they provide are more likely to meet important social needs than those of their for-profit competitors.

In today's market and demographic environment, policymakers should focus on ways to strengthen, not weaken, nonprofit ownership in the American hospital system.

End Notes

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1 Horwitz, Jill and David Cutler, "The ACA's Hospital Tax-Exemption Rules and the Practice of Medicine," Exhibit 1, Health Affairs Blog, March 3, 2015. https://www.healthaffairs.org/content/forefront/aca-s-hospital-tax-exemption-rules-and-practice-medicine

2 Rhiannon Euhus, Elizabeth Williams, Allice Burns, and Robin Rudowitz, "Allocating CBO's Estimates of Federal Medicaid Spending Reductions Across the States: Enacted Reconciliation Package," KFF (July 23, 2025; Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline, July 21, 2025, https://www.cbo.gov/publication/61570. These costs derive from analyses of the combined effects of work requirements for the ACA expansion group, limiting Medicaid revenues based on provider taxes, restricting state-directed payments to providers (including hospitals), and increasing enrollment barriers among others.

3 Zachary Levinson & Tricia Neuman, "A closer Look at thee $50 billion Rural Health Fund in the New Reconciliation Law," KFF, (August 4, 2025). https://www.kff.org/medicaid/a-closer-look-at-the-50-billion-rural-health-fund-in-the-new-reconciliation-law/

4 "The cost of employer-sponsored health insurance has been steadily increasing over the past decade; premiums have grown 24% in the last five years…More workers are covered by health plans with high-deductibles that may act as barriers to care, especially for lower-incomed workers." Lynne Cotter et al, "How affordability of employer coverage varies by family income," Peterson-KFF Health System Tracker, (June 30, 2025). https://www.healthsystemtracker.org/brief/how-affordability-of-health-care-varies-by-income-among-people-with-employer-coverage/#Average%20share%20of%20family%20income%20going%20toward%20employer-

based%20health%20insurance%20premium%20contributions%20and%20out-of-pocket%20costs,%20by%20income,%202024

[5] Norton, E.C. and Staiger, D.O. (1994) How hospital ownership affects access to care for the uninsured. RAND Journal of Economics, 25, 171-185.

[6] See, e.g., Redberg RF. Overuse of Percutaneous Coronary Interventions. JAMA Intern Med. 2018;178(2):247. In fact, a recent Commission of international experts suggests a refocus on coronary artery disease as primary a chronic rather than acute condition. The Lacet Commission, "Rethinking coronary artery disease: a call to action," The Lancet, Volume 405, Issue 10486, 1203.

[7] Jill R. Horwitz and Austin Nichols, Hospital Service Offerings Still Differ Substantially by Ownership Type, Health Affairs, v. 41, n. 3 (2022).

[8] For a recent podcast summarizing research on private equity in health care see "Podcast: Zirui Song on Private Equity's Effect on Hospital Costs and Utilization", Health Affairs Podcast, February 25, 2025. For a summary of some recent studies see… See also, Senate Budget Committee Bipartisan Staff Report, "Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Health Care System," (January 2025).

[9] Gerardo Lietz, Nori and Song, Zirui, Does Private Equity Have Any Business Being in the Health Care Business? (September 01, 2024). Harvard Business School Finance Working Paper No. 25-012, pg. 14, Available at SSRN: https://ssrn.com/abstract=4961719 or http://dx.doi.org/10.2139/ssrn.4961719

[10] Mary Beckman & Jill Horwitz, "The Steward Debacle: Legal and Ethical Risks of The New Breed of Health Care For-Profits," Health Affairs Forefront, (September 5, 2025). https://www.healthaffairs.org/content/forefront/steward-debacle-legal-and-ethical-risks-new-breed-health-care-profits

[11] Based on estimates from Sean P. Keehan, Andrew J. Madison, John A. Poisal, Gigi A. Cuckler, Sheila D. Smith, Andrea M. Sisko, Jacqueline A. Fiore, and Kathryn E. Rennie, National Health Expenditure Projections, 2024–33: Despite Insurance Coverage Declines, Health To Grow As Share Of GDP, Health Affairs 2025 44:7, 776-787 https://www.healthaffairs.org/doi/epdf/10.1377/hlthaff.2025.00545