



August 8, 2013

The Honorable Kerry Benninghoff
152 Main Capitol Building
PO Box 202171
Harrisburg, PA 17120-2171

Dear Chairman Benninghoff,

On behalf of the Pennsylvania Association of Community Health Centers (PACHC) we thank you for your leadership in discussing the issue of purely public charities in light of last year's *Mesivtah Eitz Chaim of Bobov, Inc. v. Pike County Board of Assessment Appeals* court decision.

PACHC represents more than 250 non-profit health center delivery sites that provide primary medical, dental and behavioral health care for more than 700,000 vulnerable Pennsylvanians annually. Community Health Centers (CHC) comprise the largest network of primary care providers, with locations in 48 counties of our Commonwealth. These health centers serve as a safety net, as 92 percent of our patients have incomes at or below 200 percent of the federal poverty level. Furthermore, by federal law our health centers may only be established in areas determined to be Medically Underserved Areas or Health Professional Shortage Areas, meaning in communities that sorely lack access to health care.

Unfortunately, since the *Bobov* decision, there is an increasing trend of our health centers becoming the targets for arbitrary and inconsistent property taxes. To date, three health centers in different regions of the state – Butler, Fulton and Franklin counties – have been adversely impacted. In the case of Keystone Rural Health Center in Franklin County, they were forced to pay over \$300,000 in both legal fees and taxes paid in protest for one year and now face additional legal costs in a court challenge. The unexpected and significant financial impact of such tax increases are difficult to absorb and create potential challenges for patients as there will be fewer dollars available to provide access to care.

As a case in point, Keystone Rural Health in Franklin County currently provides care to 47,146 patients (patients as reported the federal Uniform Data System in 2011) with 11,798 or 25 percent of them uninsured. Uninsured patients in our health centers pay a nominal amount on a sliding fee scale for a full range of comprehensive services. This certainly does not affect the quality of service that is provided, but there is an obvious disparity between this diminutive payment and the true costs of care. An additional tax easily impacts the fiscal health of an

organization that already operates on narrow budgetary margins in its efforts to ensure access to necessary care for all.

Multiple studies have validated that although FQHCs serve more individuals challenged by the social determinants of health, like poverty, and with complex medical conditions, they do so both effectively and cost efficiently. A recent study by George Washington University concluded that the health care system saved \$1,263 annually for each individual who had an FQHC as their medical home. If we extrapolate that number times the 700,000 individuals served by Pennsylvania's FQHCs, these safety net providers are saving the health care system—and consequently, the Commonwealth and you and me as taxpayers—more than \$880 million dollars annually. PACHC submits that these tax savings, in addition to providing care in underserved areas, not only benefit individuals in need but also relieve government of a burden.

We were pleased with the clarity provided by the Institutions of Purely Public Charity Act (Act 55 of 1997), and were disappointed when the Pennsylvania Supreme Court decision recreated uncertainty and instability on this issue. We commend and thank the General Assembly for passage of Senate Bill 4 this year and ask for continued support for this bill's reintroduction in the next legislative session.

Upon passage of this legislation in a second session, you will be empowering the public to decide whether the courts or the General Assembly has the authority to govern the laws affecting non-profit organizations such as our health centers. Should the electorate agree with us at that point in time, then we will be able to build on the dialogue that you are starting today. However, until that time, please be cognizant that non-profit organizations such as our health centers will continue to face these new taxes and the financial hardship that they create.

If we can provide you with additional information or answer any questions, please feel free to contact me at jim@pachc.com or (717) 761-6443, ext. 206. Thank you.

Sincerely,

Jim Willshier
Director, Public Policy & Partnership

Cc: The Honorable Phyllis Mundy