OFFICE OF THE CONTROLLER

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CONCERNING

Non-Profit Hospitals

10.28.2021

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Note: Unless otherwise footnoted, the County real estate data presented in this essay was provided to and compiled by Indiana University.

Non-Profit or not?

The debate over the tax-exempt status of non-profit hospitals and healthcare networks is one that has raged for decades in the Lehigh Valley. Lehigh Valley Health Network and St. Luke's University Health Network are the Lehigh Valley's two largest non-profit health networks. As recently as January 2019, Salisbury School District had taken Lehigh Valley Health Network ("LVHN") to court alleging it failed to meet all the tenets of being classified as an institution of purely public charity, which is required for non-profit property tax exemption under Pennsylvania law. Salisbury School District claims that LVHN would pay more than $5 million a year in school taxes[i]if it were taxed as a for-profit entity not exempt from property tax.

Even more recently, Allentown sought to redefine what constituted business operations within the city by alleging those non-profits, including Good Shepherd Rehabilitation Network, Inc. and Lehigh Valley Health Network, had some operations that were being run in a for-profit, business-oriented manner, and thus should not be exempt from City business privilege tax. The Lehigh County Court of Common Pleas and the Pennsylvania Commonwealth Court ruled against the City in all healthcare cases thus far and held that no business privilege tax is due from the nonprofits.[ii] If the judges had reached a different conclusion and ruled in favor of the City assessments, several of the non-profits would have had to pay the City's business privilege tax.

There has been significant discussion in municipal circles about the nature of each of these entities' non-profit status and whether each meets the tests for tax exemption under Pennsylvania law. In order to qualify for tax exemption, a nonprofit must meet the five following criteria that are set forth in case law and by statute to show that it is an "institution of purely public charity":

(1) advance a charitable purpose;
(2) donate or render gratuitously a substantial portion of its services;
(3) benefit a substantial and indefinite class of persons who are legitimate subjects of charity;
(4) relieve the government of some burden; and
(5) operate entirely free from private profit motive.

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There have been a number of contentious legal battles in the Lehigh Valley related to the prongs associated with generosity of donated services and the capacity to alleviate government burden. One argument is that Medicaid and Medicare shortfalls do not clearly constitute charitable care. A “shortfall” represents the difference between a hospital's cost of care for patients and the payment the hospital receives for these services. For example, Lehigh Valley Health Network and St. Lukes University Health Network frequently claims that the difference between private sector reimbursement and Medicare and Medicaid reimbursement constitutes the bulk of its charitable giving. Their own estimates are that 87% of their charitable giving can be accounted for as result of this loss. This report does not seek to negate nor confirm the validity of these arguments. The goal of this report is rather to evaluate to what extent the County of Lehigh taxpayers may be subsidizing certain healthcare non-profits and the taxable impact if these nonprofits were to lose their tax-exempt status.

The Controller, as the chief financial watchdog for Lehigh County, has a compelling interest in evaluating the total scale of property taxes that are not assessed due to tax exemptions. Local property taxes constitute the majority of Lehigh County’s locally sourced revenue.

This Controller’s report seeks to simply evaluate claims of tax loss resulting from the non-profit status of area hospitals. The Controller’s Office looked at total land value and potential value of taxation if these entities were considered taxable to determine the total financial footprint of their non-profit status. It should be made clear that Pennsylvania nonprofits that qualify as institutions of purely public charity are entitled to property and other tax exemptions under the Pennsylvania constitution, case law and the Pennsylvania Institutions of Purely Public Charity Act. In nearly all challenges to a non-profit’s right to tax exemption, local nonprofits have prevailed. This report is not written to suggest that a non-profit’s right to tax exemption can simply be taken away.

An important caveat to keep in mind, this is only the county’s tax revenue. These hospitals would also have to pay local municipal property tax and school tax which could be considerably higher. The local school tax tends to have a higher millage rate and therefore a larger amount of lost revenue.

A further exploration of the total value of lost revenue associated with the non-profit status of Lehigh Valley Health Network's and St. Luke's University Health Network would shed further light on the financial implications for local government especially cities and school districts whose budgets are largely reliant on property tax. Over two-thirds of county revenue is pass through income from the state and federal government especially for crucial services such as mental health and homelessness.

Lehigh Valley Health Network

Lehigh Valley Health Network which maintains eight hospital campuses as well as numerous satellite offices throughout seven Pennsylvania counties is the largest of the area non-profit hospitals. In 2020, it reported over $123 million in revenue and gains in excess of expenses and losses, or excess operating income and nearly20,000 employees according to its most recent financial statement.

Over the last decade, many have witnessed the acquisition of smaller medical offices and the expansion of LVHN across the Lehigh Valley as family practices and even larger organizations like Coordinated Health have gradually folded under the control of the hospital network.

In total, the hospital owns 46 properties according to county records which include five parking lots, five hospital locations, ten medical office buildings and several smaller properties, mostly single-family homes. The total combined value of all their property is $566 million. However, when evaluating its potential tax revenue, the county loses $2.1 million. As a result of some partially exempt properties, the county captures just $333,000 per year in tax revenue. This about 16% of total tax liability that the hospital network would otherwise face.

The Controller took a more in-depth look at the total taxable value of Lehigh Valley Health Network's properties throughout the valley. The goal was to test the claim that the county is losing access to significant revenue as a result of their non-profit status. This has obvious implications for county finances and services.

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Hospitals

Lehigh Valley Health Network has five hospital locations worth a total of $440 million. Their total taxable value, if they were assessed and billed as normal properties would be about $1.7 million. The county currently collects just $1,191 in total tax revenue off of the few parcels that are partially exempt.

ALLENTOWN HOSPITAL.

LVHN's Allentown hospital provides all of this revenue. This site has nine parcels which are worth a total of $314 million. They represent $1.2 million of the $1.7 million in potential tax value.

A further breakdown demonstrates that while LVHN significant total property value numbers, they yield little in the way of potential revenue. In Allentown, it's nine parcel lot is a mixture of taxable and non-taxable buildings. This lot has a value of $268 million today.

The amount of taxable revenue has fluctuated over the years as the value of taxable assets has declined. In 2006 & 2007, the taxable building was valued at $11.5 million, increasing tax revenue from $11,000 to $59,000. That represented a 436% increase. However, the taxable value of these buildings diminished over time, from $11.5 to $4.1 million before dropping to $315,000 in 2018. This reduced the tax liability to just $1,147 or a drop of 98%.

The tax-exempt portion has risen in value from $111 million to $268 million. As they are tax exempt, there is no revenue change associated with the increase in value.

There is additional lost revenue with the largest coming from a parcel valued at $27 million in 2002 that increased to $42 million. If it were taxed it would create about $158,000 in additional revenue.

Two other parcels would also generate revenue. A parcel valued at $1.7 million would create $6,500 in new revenue, and another worth $2.6 million would create $10,000 in new revenue.

Muhlenberg Hospital Center

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The Lehigh Valley Hospital Muhlenberg Campus has always been tax exempt, but has seen its total value grow significantly. In 2002, it was valued at $27 million and today it is valued at $128 million. The county would generate $478,000 in tax revenue.

Medical Offices

Lehigh Valley Health Network currently owns ten medical office buildings with a total value of $75 million. They have a taxable value of $284,000 but the county collects just $168,000 annually. This is the result of differences in their tax status with four being fully taxable, four are partially exempt and one is fully tax exempt.

Three of the lots are located at the Lehigh Valley Health Network Muhlenberg campus. They are valued at $10.8 million with a total tax value of $41,000. However, the county only collects about $28,000.

The Lehigh Valley Allentown property has four lots zoned for medical offices which have a taxable value of $48 million. There total tax liability is just $182,000 but the county collects just $80,000 in revenue.

These properties have fluctuated and shifted over time with many moving between exempt and non-exempt. In addition, several have seen their taxable value decline over the years as they've been reassessed.

Other Buildings

LVHN has acquired a unique array of additional properties over the years including single-family homes, non-medical offices, motel and vacant land. These properties in total account for $157,000 of LVHN's $333,000 tax bill.

In total it has twelve additional parcels, the majority of which are houses, eight in total. They're assessed at $2 million with a total county tax bill of $6,200. The majority of these houses, five, have always been taxable. The remainder have always been exempted, but the majority of the total value of LVHN's single family homes, $1.6 million, is in those which are taxable.

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One of LVHN's largest taxable properties is a non-medical office which is valued at $36 million and yields about $135,000 in annual county taxes. This represents the bulk of the healthcare networks non-hospital and non-medical offices-oriented revenue. Lehigh Valley Health Networks mixture of apartments, vacant land and various facilities also contribute about $22,000 in annual taxes.

St. Luke's University Health Network

St. Luke's University Health Network and its non-profit affiliates (collectively, "**St. Luke's**") is the other most recognizable and iconic local health network. St. Luke's is exempt from federal income tax as a 501(c)(3) nonprofit organization. It has also recently undergone expansion, most notably acquiring Sacred Heart Healthcare System ("**Sacred Heart**"), an independent nonprofit hospital that had served inner city Allentown for over 100 years. At the time of the merger, Sacred Heart was operating at a significant deficit. Its uncertain financial conditions placed patient and community access to healthcare in jeopardy. The acquisition of Sacred Heart by St. Luke's preserved direct access to healthcare for inner City residents and provides them with a wider array of specialized medical services.

St. Luke's operates three hospital campuses within Lehigh County. It owns approximately 50 parcels of real estate in Lehigh County, and leases another approximately 50 parcels. As a non-profit that has been deemed an institution of purely public charity by a number of taxing authorities, including the Commonwealth of Pennsylvania, St. Luke's is not required to pay real estate or sales taxes. However, it voluntarily pays $9.1 million annually in real estate taxes to various municipalities due to leasing, rather than buying, properties and in some instances choosing not to pursue property tax exemption where it would be otherwise entitled.

Hospitals

St. Luke's has three hospital campuses in Lehigh County. The main hospital building of each campus is exempt from property tax. These main hospital buildings are collectively valued at $206 million by the Lehigh County Assessment Office and have a tax value of $780,000. The main hospital building parcel on the first campus has a total value of $56 million, as determined by the Lehigh County Assessment Office. If the property were not exempt, County real estate taxes for this parcel would be $212,000.

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The main hospital building parcel on the second campus is valued at over $147 million by the Lehigh County Assessment Office. If the property were not exempt, County real estate taxes for this parcel would be almost $557,000.

The third hospital campus is Sacred Heart Hospital, which is made up of parcels that have been tax-exempt since 2002. One parcel is valued at $6 million and the other at $35 million. If the properties were not exempt, County real estate taxes for this parcel would be $154,000 a year.

The above tax revenues do not include school district and municipal property taxes that would also be due if the properties were not tax-exempt. If those taxes were added, the total tax revenue that is unpaid due to the exemption would exceed $1 million. However, an additional assessment would need to be performed to determine the exact figure.

Medical Offices and Hospital-Related Service Properties

St. Luke's owns ten nonprofit properties which have a taxable value of more than $30 million. These properties include hospital-related services such as walk-in emergency services, surgery centers and behavioral health as well as medical offices and family practices. The properties have a total tax value of approximately $115,000 as set by the Lehigh County Assessment office. Seven of the ten properties are fully taxable, and two are partially exempt. The taxable properties generate $43,000 in tax to the county. St. Luke's also leases a number of properties within the County for which the County collects full taxes of approximately $300,800 annually.

The most valuable property from the perspective of County taxes is a building that includes medical offices, lab services, physical therapy and walk-in, non-life-threatening emergency services. The building is valued at $16 million by the Lehigh County Assessment office, but only $4.7 million of it is taxable. It generates about $18,000 in annual taxes. If not partially tax exempt, this property would generate $60,000 in annual taxes.

The medical office buildings located on the Sacred Heart Campus have a total value of $10 million as set by the Lehigh County Assessment office but a taxable value of $38,000. The County collects $19,000 annually in taxes from these properties due to exemptions. A single building valued at $5 million by the Lehigh County Assessment office contributes $18,000 of the taxes, which represents almost all of the County real estate taxes that come from the St. Luke's Sacred Heart campus medical office buildings.

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Other Properties

St. Luke's currently owns additional properties, 15 of which are valued at $10 million by the Lehigh County Assessment office. Their total tax value is $36,000 and the County collects only $20,000 in actual taxes due to exemptions. Almost 50% of this total comes from taxes on St. Luke's administrative offices. One property that is valued at $3.5 million by the Lehigh County Assessment office contributes about $5,000 a year in County taxes, and two related nonprofit medical offices valued at $1.1 million by the Lehigh County Assessment office contribute another $4,100 in annual County taxes.

Sacred Heart had a considerably smaller footprint than other St. Luke's Lehigh County campuses with just four properties valued at just $877,000 by the Lehigh County Assessment office. Their total tax value was $3,300 and the County collected only $220 in taxes from these buildings due to exemptions.

Of these four properties, the largest potential tax revenue if exemption were not in place would come from the Sacred Heart convent building. However, the County would generate $3,000 in annual property taxes if the building were taxable.

St. Luke's owns a number of smaller properties, yet none of them result in significant tax revenue for the County. Those that are tax exempt would also do little to add to the County's tax revenue if no exemptions were in place.

CONCLUSIONS

A review of the financial data makes it difficult to claim that the County is experiencing a considerable loss of revenue due to the tax-exempt status of nonprofit hospitals. Ultimately it is the responsibility of the hospital to explain to the tax payer how the hospital is providing value to each level of government (the county, the school, the city or local municipality and the state) in place of the taxes each government entity would collect.

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The largest share of each Network's non-taxable property values arises from the total value of their lands zoned for hospitals. However, if these lands did not qualify for tax exemption, the total combined taxes from both LVHN and St. Luke's would constitute $2,634,000. The $2.6 million is by no means insignificant.

A bigger question remains about the nature of local nonprofit hospitals and their obligations to the community. A key provision of the law regarding non-profits is that purely public charities must reduce municipal burdens and make significant charitable contributions.

Some communities throughout the U.S. have asked non-profits to contribute cash to the government in the form of payments in lieu of taxes, or PILOTs, to ensure that these requirements are being met. This report does not evaluate that approach, but there could be merit in it if the local nonprofit hospitals are not otherwise contributing to the community in a meaningful way.

One potential contribution that the hospitals could make to the community which directly connects to their goals of addressing the social determinants of health and making community investments would be to help finance alternative 9-11 response systems. Over the past two years, there's been extensive public discussion about the importance of trained mental health professionals being first responders to those in crisis. This could come in the form of a co-responder model where a trained mental health technician rides along with a law enforcement officer or mental health professional being the sole responder.

There has been reticence on the part of municipalities to divert funding to pay for this initiative. Lehigh Valley and St. Luke's could provide initial seed money to demonstrate the efficacy of the programs and assist local governments in financing them. This endeavor intersects directly with the self-described mission of the hospital networks. This constitutes just one suggestion on the part of the Controller and by no means is intended to suggest this is the only meaningful public investment that could be made on the part of the community.

There could also potentially be a role for the hospitals in addressing housing, youth violence or gun violence in general. It is the opinion of the Controller that a more robust investment in community well-being would be a direct net benefit to the hospital networks in the form of reduced use of services and overall savings, in addition to amplifying their non-profit mission.

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It's the Controller's recommendation that both hospital networks collaborate directly with municipal governments on an annual basis to determine if there are direct financing opportunities which would best meet the needs of their individual communities. It is the opinion of the Controller that this would help amplify community investments directly tied to specifics needs of local residents. The Controller encourages more robust, established and defined coordination between our leading hospital non-profits and local government.

[i] https://www.mcall.com/news/education/mc-nws-salisbury-lvhn-property-taxes-20190114-story.html

[ii] https://www.mcall.com/news/local/allentown/mc-nws-allentown-good-shepherd-business-privilege-tax-appellate-court-ruling-20210323-jei46pmmfragfacsf4tpdqjdcq-story.html

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RESPONSE OF LEHIGH VALLEY HOSPITAL AND ITS PARENT, LEHIGH VALLEY HEALTH NETWORK, TO THE LEHIGH COUNTY CONTROLLER'S, "ESSAY CONCERNING NON-PROFIT HOSPITALS", DATED JULY 26, 2021

Lehigh Valley Hospital (LVH) and Lehigh Valley Health Network (LVHN) recognize the time and effort put forth by the Lehigh County Controller in preparing the "Essay Concerning Non-Profit Hospitals" and appreciate the opportunity to offer this response. We view the Controller's efforts as consistent with the responsibilities of his office and concur in his conclusion that the County does not suffer any significant negative tax consequences related to LVHN's non-profit hospitals. However, there are also ample additional reasons to maintain the status quo when it comes to these institutions' tax status. LVH and LVHN therefore offer the response, below, to provide additional context, legal and factual background and certain necessary clarifications to the Controller's Essay.

I. Applicable Legal Principles and Recent Case Law.

Since 1874, the Pennsylvania Constitution has authorized the legislature to exempt from taxation institutions of purely public charity. Last amended in 1968, the Constitution currently permits the General Assembly to exempt the following:

> (v) institutions of purely public charity, but in the case of any real property tax exemptions, only that portion of the real property of such institution which is actually and regularly used for the purposes of the institution. Pa. Const. Art. VIII, § 2(a)(v).

Therefore, when considering whether certain parcels of land and the improvements thereon should be taxed, it is important to remember that it is the entity that owns and uses that property for charitable purposes whose operations should be examined. That is to say that when the Controller questions whether tax parcels that are currently exempt should be taxed, it is the operation of the entity owning and using them that is to be examined. That entity is Lehigh

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Valley Hospital – which owns and operates hospitals at three (3) sites in Lehigh County – and not Lehigh Valley Health Network. Nonetheless, while it is important from a legal perspective not to conflate LVH and LVHN, when the Controller attempts a county-wide cost (loss)/benefit analysis it also inevitably invites commentary upon the operations of the Network and its other subsidiaries.

The Controller appears to be familiar with the basics of Pennsylvania tax exemption law, including the *Hospital Utilization Project* (HUP) case, the Consolidated County Assessment Law and the Institutions of Public Charity Act (Act 55). He also references recent decisions of the Pennsylvania Commonwealth Court, affirming rulings of the Lehigh County Court of Common Pleas. While those cases involved exemptions from Allentown's Business Privilege Tax, a close reading of the Lehigh County and Commonwealth Courts' Opinions reveals discussions of the fifth prong of the HUP test: that a purely public charity must operate entirely free from private profit motive. The Opinions cite with approval teachings from earlier cases that would be relevant to any challenge of LVH's and/or LVHN's tax exempt status. Those include, "surplus revenue is not synonymous with private profit"; "an entity operates free of private profit motive when its surplus revenue is reinvested in the entity and does not inure to the benefit of any private party"; and, "we decline to hold that an entity must financially harm itself (by having non-competitive compensation packages) in order to negate a profit motive".

Finally, it should not be forgotten that just five (5) years ago, Judge (now President Judge) Brian Johnson, held a hearing, reviewed voluminous documents and otherwise examined the operations of Lehigh Valley Health Network in an Accounting proceeding initiated by the Commonwealth's Attorney General's Office. Among other things, Judge Johnson found:

> … LVHN is operating, administering and supporting a health care system that falls within the definition of the charitable purposes in

Lehigh Valley Health Network

> Rule 2156 and is permissible under the NPCL (Nonprofit Corporation Law of 1998). By virtue of its 501(c)(3) status granted by the Internal Revenue Service, LVHN is considered charitable under that Section as incorporated by reference in the Articles. Because it enjoys local and state tax exemptions, LVHN has already been determined to be an institution of purely public charity. LVHN is spending its money, whether received as revenue generated from services it provides or by contributions from individuals, trusts and other entities, for its charitable purposes as defined in its Articles, which clearly contemplate growth and expansion; "… to significantly enhance the ability [of its hospitals] to continue to pursue and expand their respective missions for providing superior and comprehensive health care within their respective communities in the regional areas of service.

II. Lehigh Valley Hospital.

LVH serves the acute health care needs of the region in an outstanding manner, garnering accolades and recognition year after year from many independent rating agencies for the quality of care it provides, its safety, its innovation and other criteria. Consistent with its charitable status, LVH provides its services to all, regardless of their ability to pay, and has a Financial Assistance Policy (FAP) that is extremely favorable to uninsured and underinsured patients. LVH otherwise meets its obligation under the HUP test to donate or render gratuitously a substantial portion of its services by being reimbursed by Medicare and Medicaid at less than its costs to do so. The Institutions of Purely Public Charity Act (Act 55) was enacted primarily to provide clarity and guidance to charitable organizations as to how services donated or rendered gratuitously to patients and others are to be quantified. Applying Act 55's teachings, the value of Lehigh Valley Hospital's care donated/rendered gratuitously in 2020 was an amount in excess of $348 Million. That includes substantial amounts on account of: Medicare shortfall ($174 Million); Medical Assistance shortfall ($129 Million); uncompensated charity care ($12 Million); and health care professional education ($33 Million). [NOTE: While not specifically

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germane to LVH, the total charitable care rendered by LVHN's non-profit subsidiaries in 2020 (including LVH's figures above), is $485 Million.]

And, though the properties owned and occupied by LVH at three (3) campuses in Lehigh County are tax exempt, LVH pays to Lehigh County a total of approximately $323,000 in real estate tax annually, and much more to school districts and local municipalities for land and improvements located at those campuses, but not used directly for hospital purposes.

Moreover, the local community benefits greatly by programs and activities conducted within the Hospitals' walls and throughout the region by employees of LVH. Too numerous to mention them all here, examples include:

- Free COVID vaccinations
- Free pap tests, mammograms and ultrasounds
- Free physical examinations of uniformed and other employees of the City of Bethlehem
- Pastoral care
- Free oral trauma surgery care
- Tobacco treatment program
- Weight management center, support groups and outreach
- Mindfulness training
- Street medicine serving the homeless
- Amputee support groups
- Grandparenting classes
- Child passenger safety program

In addition, the latest Community Health Needs Assessment prepared by LVHN in 2019 (available online at *www.LVHN.org*) identifies fourteen (14) goals/initiatives specifically benefiting residents of Lehigh County that, to be accomplished, require the efforts of employees of LVH.

Certainly, the best hospitals of today do not look like, nor function, as they did generations ago; but, advances in medical care and technology, government oversight and regulation, public and private reimbursement policies, as well as other factors have caused dramatic change in health care delivery. Ultimately it is the patients who derive the greatest benefit from those changes and advances; and, for those who know the history of LVH, the intent of Leonard Pool's founding gift – the desire to have the quality of health care here in the Lehigh Valley be equivalent to that provided in larger urban areas – continues to be fulfilled.

III. Lehigh Valley Health Network.

As noted earlier, LVH and LVHN are separate, but related entities. Indeed, LVHN and its other subsidiaries likely would not exist without LVH; for, the hospitals are the heart of the system. However, when assessing the impact of the entire enterprise on the community and, in particular Lehigh County, it is important to review the overall operations of the Network.

First, and most critical to the Controller's analysis, is the tax impact upon Lehigh County of the Network. Excluding the taxes paid upon taxable properties owned by LVH and mentioned above, LVHN's subsidiaries pay approximately $26,000 in County real estate taxes annually for property owned by them. A more substantial sum, however, is paid on account of real estate taxes by those entities to landlords of the many properties leased throughout Lehigh County. These facilities include large office buildings (the former Mack Trucks headquarters), substantial space in downtown Allentown (One City Center), ambulatory care centers, physicians' offices and phlebotomy and blood testing facilities. The total annual payment by the LVHN entities, as lessees, to Lehigh County landlords for County taxes is at least $1,300,000. [NOTE: As many leases are "gross", where real estate taxes are not paid separately from rent, a precise number cannot be readily calculated.] And, as with all taxable properties, amounts paid for school and municipal taxes levied upon parcels leased by LVHN's subsidiaries are several orders of magnitude greater than the County's taxes.

Beyond that, an overlooked benefit to Lehigh County of the presence of the Network and its subsidiaries stems from the fact that approximately half of the 19,000 individuals employed by the Network's subsidiaries live in Lehigh County. They and their families directly (as homeowners) or indirectly (as tenants), pay their own real estate taxes. Moreover, numerous employees are recruited annually to work at LVH and its sister entities. Many are highly-compensated physicians, professionals, executives and managers. When they purchase homes, they pay the County a one-percent (1%) transfer tax. Quantifying the impact of all of that, not to mention how all of those employed by the many contractors supplying goods and services to LVH and LVHN's subsidiaries contribute to the County's revenue, is at best challenging and, at worst, impossible. Nonetheless, ignoring that would diminish any argument suggesting the County (or for that matter any taxing body), would be better off if these entities lost their real estate tax exemptions.

IV. Conclusion.

While at first blush it can be appealing to cash-strapped taxing bodies to consider challenging the tax exempt status of charitable institutions such as LVH and LVHN, which serve a vital need and provide exceptionally high-quality medical care to, and generally improve the health of, the individuals who reside within its service area, a reasoned analysis of the logistics and implications of any such challenge should ultimately militate against proceeding down that path. One exercise any taxing body should consider before determining to pursue a tax exemption appeal is to imagine what would be the consequence of that to the community. For, if LVH's tax exemption were lost, then logically this means it might be forced to operate on a for-profit basis completely different from its mission for more than 100 years. It is well-known that for-profit hospitals in this region have struggled financially, resulting in fewer employees and diminished services (particularly those utilizing state-of-the-art technologies and treatment modalities). Moreover, with no requirement to serve the indigent, offer a financial assistance plan or otherwise support initiatives to improve individuals' overall health and wellness, the entire community would likely suffer. It is submitted that is not what Lehigh County, nor the greater Lehigh Valley, deserves.

St. Luke's University Health Network and its affiliates (SLUHN) provide the following supplemental information in response to the Lehigh County Controller's "*Essay Concerning Non-Profit Hospitals*".

SLUHN is a nationally recognized, regional nonprofit health network providing services at twelve hospitals and more than 300 sites in Pennsylvania and New Jersey. Its mission is to care for the sick and injured regardless of their ability to pay and to improve the communities' overall health. SLUHN fulfills this mission by providing medical services at low or no cost to the uninsured and underinsured, operating numerous health and wellness programs throughout the County and partnering with community stakeholders.

In 2020, SLUHN's charitable care was $287.3 million, which includes financial assistance at cost ($5.9 million), Medicaid shortfall ($111.6 million), community health improvement ($16.9 million), health professional education ($32.8 million), subsidized health services ($101.4 million) and cash and in-kind contributions ($18.7 million). **Charitable care represents 15.17% of SLUHN's total operating expenses in 2020. This is a significant community benefit to the greater Lehigh Valley.** St. Luke's accepts patients regardless of wealth, ability to pay or other status. The healthcare system is willing to accept Medicare and Medicaid patients where other for-profit medical providers will not. If it did not do so, this medical care would be the responsibility of the County and its municipalities.

SLUHN puts considerable resources into community outreach and healthcare programs. It has multiple medical and dental vans that travel throughout County school districts 4-5 days per week during the school year to provide low and no-cost medical and dental care to students. The physicians and other health care providers that travel in the vans and serve the students are employed and paid by SLUHN. It also provides low and no-cost in-school eye exams and eyeglasses to students. Each year the hospital successfully implements programming that benefits the entire County, including literacy initiatives (book drives), healthy living and eating initiatives (Summer Food Service Program, students creating gardens programs, Tail on the Trail and produce vouchers), Naloxone education and distribution sites and AIDS clinics. SLUHN also engages in a number of educational and employability skill training programs targeted at Lehigh County students, including the Health Career Exploration Program, CareerLink Academy Programs and the Next Step Program. These programs aim to boost graduation rates and serve as a candidate pool for hiring at St. Luke's campuses. All of these programs operate at a loss.

Throughout the COVID-19 pandemic, the St. Luke's Parish Nursing team was instrumental in providing housing and caring for unsheltered individuals who were tested for or were ultimately positive for COVID-19. The Parish Nursing team cared for them at a distance with calls, and in person through medical monitors. In partnership with other community stakeholders, SLUHN assisted in placing these individuals in hotels, rehabilitation facilities and other transitional or permanent housing.

Charitable contributions and community benefits are reported to the federal government annually, including free and discounted care. The federal Patient Protection and Affordable Care Act requires all nonprofit hospitals to conduct a Community Health Needs Assessment every three years. The goal of the assessment is to identify critical health issues faced by residents within the community. Once the health needs are identified, nonprofit hospitals must adopt implementation strategies to meet those community health needs. SLUHN has evaluated Lehigh County's health needs by conducting community assessments in 2016 and 2019 for all three of its Lehigh County hospital campuses. The assessments and their implementation in the community can be reviewed in detail on SLUHN's website: https://www.slhn.org/community-health/community-health-needs-assessment/campus. The next community assessments for the three County hospital campuses will be completed in 2022.

In addition to the foregoing, SLUHN is consistently the second largest employer in Lehigh County with approximately 17,000 employees. St. Luke's and its employees pay a significant amount in earned income tax, local services tax and realty transfer tax to local taxing authorities. SLUHN's economic impact on Lehigh County is considerable.

In its Essay, the County suggests that the local nonprofit healthcare systems might participate in alternate 911 emergency response systems. SLUHN supports and welcomes the opportunity to assist with such initiatives, including mental health training and other resources for first responders. In fact, SLUHN is in the process of seeking an Emergency Medical Services (EMS) Fellowship to expand physician EMS education and training in the Lehigh Valley. EMS medicine is a medical subspecialty that involves pre-hospital emergency patient care, including initial patient stabilization, treatment and transport to hospitals. EMS physicians work alongside pre-hospital care professionals, including EMTs, paramedics, fire fighters and police officers to enhance pre-hospital care. The program SLUHN is proposing would include a team of physicians who arrive at the patient's site of injury or illness in independent "chase" vehicles with additional capabilities and medications. Assistance would be provided to traditional EMS providers upon their request or in agreed upon situations with partner agencies. This program is initially being considered on a limited basis with the goal of expanding it in the future.

SLUHN is a highly efficient provider of exceptional healthcare to Lehigh County residents. If subject to tax, St. Luke's would be forced to reduce healthcare services. Those tax dollars in the hands of various taxing authorities would not be used solely for healthcare services but would instead be spread among various needs. Where healthcare initiatives were funded, the government agencies would not be in a position to replicate the quality of medical services or the cost-effective manner in which they are provided by SLUHN. In contrast, SLUHN has the ability to quickly pivot in times of need in order to remain fiscally sound and responsive to healthcare needs. It is not subject to the same bidding and procurement requirements of a governmental authority, and thus can reinvest those cost-savings into SLUHN's charitable mission and patient care. SLUHN believes it is the best provider of healthcare to County residents, as opposed to its revenues being collected through taxes and used by taxing authorities unaccustomed to providing healthcare services. SLUHN is a proud member of the Lehigh County community, and it looks forward to continuing to serve its residents for many years to come.