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December 7, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Reid:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our 42,000 individual members, the American Hospital Association (AHA) urges your support for the preservation of the charitable tax deduction as you work with President Obama and congressional leaders to resolve current deficit and tax reform issues.

Hospitals and other health care organizations have long depended on the generosity of grateful patients and members of the communities they serve to help underwrite operations and necessary capital improvements. This support has become more important than ever as it has become increasingly difficult for hospitals to support through operations alone charitable care and community benefit programs, facility improvements, medical research, essential equipment upgrades and the acquisition of new health care technologies.

Most, if not all, nonprofit hospital and health organizations routinely factor into their budgets a significant level of philanthropic support. In fiscal year (FY) 2010, philanthropic support of nonprofit hospitals and health care organizations in the United States reached \$8.264 billion, according to the Association for Healthcare Philanthropy's (AHP) most recent giving survey report, representing an increase over the prior year, but still almost 4 percent lower than 2008 giving levels.

Recent proposals to limit the federal tax charitable deduction will significantly reduce the level of philanthropic support to hospitals when they can least afford it. In a 2012 report, the rating agency Moody's maintains a negative outlook for U.S. not-for-profit hospitals and concluded that the outlook is expected to remain negative for at least the next several years. At the same time, Congress is debating additional cuts to hospital funding, which would cost jobs and



The Honorable Harry Reid

December 7, 2012

Page 2 of 2

jeopardize access to care. In 2010, half of emergency departments (EDs) operated at or over capacity, and hospitals are expected to need an additional 900,000 staff by 2020 to continue providing high-quality care. Because hospitals care for everyone who comes to the ED, we provided \$39.3 billion in uncompensated care in 2010. During the past decade, uncompensated care rose 82 percent.

The most recent survey of hospital and health care development professionals found that nine out of 10 agreed that proposed limits on charitable deductions would cause significant reductions in giving to their organizations. About 40 percent estimate that giving would decrease between 10 and 30 percent if significant changes are made to the current tax incentives for charitable donations, which conservatively could amount to more than a \$1.07 billion drop in total annual giving to nonprofit hospitals and health care providers based on AHP's FY 2009 giving statistics.

America's hospitals are always open, serving our communities 24 hours a day, seven days a week, 365 days a year. As hospitals face new challenges to provide high-quality care to everyone who needs it, the support they find from generous members of the communities they serve is needed now more than ever. We urge you to continue to encourage private giving by excluding charitable giving from any limitations on deductions, thereby maintaining the existing federal tax charitable deduction.

Sincerely,

/s/

Rick Pollack

Executive Vice President