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Bill Analysis

Tax Credit for Contributions to Rural Hospitals

House Bill 919 (LC 34 4878S)

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Georgia lawmakers are considering a $250 million tax credit program for individual and corporate donations to hospitals in rural or nearly-rural Georgia communities. House Bill 919 is designed to create private investment incentives for rural hospitals to help shore up their finances. The flawed legislation contains very few reporting requirements or guidelines to direct where the money goes or how benefitting hospitals use it.

The proposal offers an inefficient way for the state to invest in struggling rural hospitals. Spending the money through tax credits rather than directly through the state budget process interferes with the role of state health care leaders charged with directing investment where it is needed most. The proposal also fails to leverage money available to match state investment in health care, such as Medicaid.

While HB 919 would likely increase charitable contributions to some hospitals serving rural and nearly-rural communities, it would not relieve the underlying strains on Georgia's health care system. Policymakers can pursue better options to fix substantial health coverage problems. Georgians live without health coverage at the third highest rate of any state in 2015. As recently as 2014, the state was home to the fifth most uninsured residents.

Using the same $250 million to boost payments to doctors, hospitals, clinics and others who serve Medicaid patients, for instance, would bring in an additional $530 million to Georgia's health care system. Georgia can make even better use of that money by increasing health care coverage through Medicaid, which would have far greater benefits for both patients and providers than HB 919. Increased Medicaid eligibility brings in about $3 billion in new federal funds each year and gives 500,000 Georgians access to needed health care services across the state.

Overview of Proposal

If HB 919 is approved, individual and corporate taxpayers get a tax credit worth 80 percent of their contribution to a rural health care organization, as defined below. This tax credit allows taxpayers to redirect their state obligation to some rural hospitals, instead of the treasury. The bill now proposes that individuals get a maximum credit of $2,500 annually, while married couples could receive up to $5,000 a year. Corporate contributors are allowed a credit equal to 80 percent of their donation or 75 percent of their total tax liability, whichever is less. Corporations can retain unused tax credits for five years. The total annual cost to the state is capped at $250 million.

Would-be contributors must get Georgia Department of Revenue approval for a tax credit. The proposal calls for the department to approve requests on a first-come, first-served basis until the $250 million cap is reached.

The legislation spells out the criteria needed for the Georgia Department of Public Health to certify a health care provider as a rural health care organization eligible for the tax credit, including:

- Location is in one of Georgia's 109 rural counties
- Accepts Medicare and Medicaid patients
- Receives at least 10 percent of net revenue from indigent patients
- Is a not for profit organization with a local board of directors
- Is current with reports and audits required by law, including federal IRS reporting requirements

Hospitals the state designates as so-called critical access hospitals are also eligible for the tax credit program, even if located in a county that does not fit the state's definition of rural.

State public health officials are charged with creating rules for participating providers. The legislation lacks requirements that define ways participating providers must use the money received through the program or the information they must report to the state. Hospitals and other providers who receive contributions underwritten by Georgia taxpayers should be required to report publicly the way they spent the money. Additional safeguards can be added to ensure the money is used to enhance access to health care services for rural Georgians, emphasizing the impact on uninsured Georgians.

Benefit of HB 919 is Dubious

The new tax credit program directs $250 million in potential state revenue away from general use to hospitals in rural or nearly-rural communities. Proponents suggest the funding will broadly benefit struggling rural hospitals, but now the bill contains no provision to ensure the money reaches hospitals most in need of help. Instead, money is channeled at the discretion of the individuals and corporations who hold the tax credits. Hospitals with the greatest needs might not attract donors. Instead, they could be at a disadvantage compared to more financially-sound hospitals experienced in fundraising.

The proposal also lacks guidelines that direct how hospitals must use the money raised through the tax credit program. The bill as the House Ways and Means committee passed Feb. 22, 2016 also lacks requirements for hospitals to report how they spend the new money.

The total value of the tax credit allowed by HB 919 is greater than general fund appropriation to the Department of Public Health included in the latest version of the state's 2017 budget. Legislators trying to direct investment in Georgia's health care system should appropriate the money directly through the budget process rather than through tax credits so state health officials can determine where scarce resources are most needed. A direct appropriation provides far greater transparency and oversight to ensure public money is spent efficiently for a clear policy goal.

Similar Cash Infusion Could Shrink Georgia's High Uninsured Rate

Georgia's health care system is facing significant challenges across the state, in large part due to the state's high uninsured rate and large overall uninsured population. Georgia is home to the:

- Fifth largest uninsured population of any state in 2014, behind only Calif., Texas, Fla., and N.Y. (according to the U.S. Census);
- Third highest uninsured rate of any state in 2015, behind only Texas and Okla. (according to a recent Gallup survey)

Georgia's high uninsured rate can be attributed to the state's coverage gap, which leaves more than 300,000 Georgians with income below poverty level without coverage. People fall into the coverage gap when they have incomes too low to qualify for financial help through the federal health insurance marketplace, but too high to qualify for Medicaid under Georgia's relatively strict eligibility rules. Medicaid guidelines say adults with dependent children are eligible only if their income falls below about 38 percent of the poverty level. That's about $7,600 annually for a family of three. Meanwhile, adults without children are ineligible at any income level. Georgia imposes the sixth strictest eligibility rules of any state.

Federal money is now available to Georgia to pay for more than 90 percent of the cost to close this coverage gap. Claiming this money could extend health coverage to about 500,000 Georgians with income below 138 percent of the poverty level, about $27,800 for a family of three or $16,400 for an individual. About 20 percent of qualifying Georgians reside in a rural community, so about 100,000 rural Georgians get health coverage if Georgia's lawmakers take advantage of this opportunity.

Closing the coverage gap will bring about $3 billion in new federal health care investment to Georgia. More than $600 million of that can be expected to flow to health care providers in rural communities every year.

More Sound Ways to Close Coverage Gap

Before lawmakers sign off on a maneuver to direct $250 million to Georgia's rural hospitals through tax credits, HB 919's merits should be pitted against a better option. Lawmakers can direct the new investment to increase health coverage among low-income adults by expanding access to Medicaid, which would generate a larger benefit to rural communities than the proposed $250 million tax credit. That path also offers a much needed lifeline to health care providers in non-rural communities left out entirely by this proposal.

The $3 billion federal investment waiting to be claimed would create more than 56,000 new jobs across the state and provide a $6.5 billion jolt to the overall economy, according to a 2013 economic study. Georgia's rural communities stand to gain about 12,000 of these jobs and more than $1.3 billion in economic impact.

Hospitals and health care providers that serve Georgia's rural communities are facing dire financial challenges, many the result of years of state inaction to fix Georgia's growing uninsured population. Solving the structural health care problems that hinder rural and other underserved communities in Georgia requires state leaders act to close the coverage gap and take advantage of substantial new investment to help all communities in Georgia.

The proposed legislation leaves investments in Georgia's health care system to the vagaries of a tax credit system and the whims of investors. It is not an improvement over the existing, obvious alternative strategy to help Georgia's rural hospitals.