July 16, 2025

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20510

Dear Speaker Johnson and Leader Thune:

As we continue to advance legislation in this Congress to reduce the size and scope of the federal government, and to move the healthcare system in a more free market direction, it's imperative that Congressional attention remain focused on the ways in which governments are distorting healthcare, and in particular the behavior of large non-profit hospitals. Until this hospital sector (which does not include rural safety net hospitals) is freed from this government influence, socialized medicine remains a key threat to the American people.

Hospitals receive approximately 37% of all Medicare spending, and 32% of all Medicaid spending–a total of around $650 billion annually. Government money creates both dependence and rent seeking behavior, but it is also a conduit for waste, fraud, and abuse. The market distorting actions from these large non-profit hospitals are the driver of many of the worst problems with our nation's healthcare.

The "One Big Beautiful Bill Act" limited so-called "provider taxes" in Medicaid, and more work needs to be done. In these arrangements, providers such as large, non-profit hospitals are used as conduits to funnel money to states with national taxpayers left holding the bag. This has to be further limited and eventually disallowed entirely for the sake of taxpayers.

One area to examine in the next round of tax reform is the role of non-profit hospitals, especially outside of rural America where access is challenging. Any non-profit has a social contract–the corporate income tax is waived in exchange for serving the public through an exempt purpose. In the case of non-profit hospitals, the key metric here is charity care provided to low-income Americans. But charitable care is hard to find at these hospitals. There is a $26 billion gap between the tax exemption large non-profit hospitals enjoy, and the amount of charity care they provide. The largest gap is at the largest non-profit hospitals, those with more than $100 million in tax-free income.

The 340B program is supposed to help hospitals provide care to indigent populations at low or no cost, but it is now routinely used fraudulently. Hospitals serving low income areas receive the medicines at low or no cost, but then distribute them throughout a vast hospital network, specifically targeting affluent areas, and increasing the price for everyone. This is a failure of the government to monitor applications, define eligible patients, and track what happens to 340B drugs procured by large non-profit hospitals. The "Bon Secours" scandal in Richmond is both the best example of this, and a sadly representative one.

If these entities receive direct and indirect government aid as detailed above, and benefit from a kind of tax haven status in the healthcare system, there needs to be some accountability.

There is a lot to do to get the government's nose out of the large, non-profit, hospital sector. Until we do so, free market healthcare will remain a far-off goal.

Sincerely,

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Center for a Free Economy

Charles Sauer
Market Institute

Pete Sepp
National Taxpayers Union

John Tamny
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Grover Norquist
Americans for Tax Reform

Phil Kerpen
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John Goodman
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Karen Kerrigan
Small Business & Entrepreneurship Council

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