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September 22, 2007

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Hospitals must stop exclusivity arrangements

Blake Curd

Readers

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BY BLAKE CURD

Competition in health care is a great thing. It should result in more value and lower prices for the consumer.

Unfortunately, true competition in health care does not exist as it does in other consumer-driven businesses.

Voices columnist Patrick Lalley has revealed one aspect of health care competition that we contend with in his "Best Little City in America." Sioux Falls is extremely fortunate to have two health care systems operating in its marketplace. The possibility of obtaining world-class medical care in our own backyard is a luxury many communities our size do not enjoy.

The "two hospital smack-down" that Lalley refers to in a recent column is no secret to those of us who practice medicine here. If this "smack-down" were truly competitive, then health care consumers (I like to call them patients) should have seen the result in their bank statements. Is there an employer who has seen his or her health insurance costs decrease or a family that has seen a premium fall? No, the health care industry does not follow the economic competition model that governs other consumer-driven enterprises.

Health care is big business. Estimates put health care costs in the realm of \$2 trillion annually - about the size of the entire Chinese economy. The nonprofit hospital sector is the single largest recipient of this expenditure, about \$1 trillion. We the people, through our elected representatives, have granted this sector special status.

One of these privileges is valuable tax exemption. With this advantage comes a responsibility. These systems are required to give back to the communities in which they reside through charity care, education and religious or scientific endeavors.

Nonprofit status and its accompanying tax benefits are granted to help a health care organization fulfill its mission. Whether these systems are fulfilling their obligations in this regard has come

under increasing state and federal scrutiny. A congressional study in 2004 found that nonprofit hospitals provided only 0.6 percent greater uncompensated care, on average, than comparable for-profit hospitals. Many nonprofit hospitals have had their business practices challenged, and some have even lost their nonprofit status.

I applaud our local health care systems for making contributions to our community. They have assisted physicians in delivering high-quality and innovative care to our residents and have supported many community organizations and initiatives. This is their obligation in return for the status we allow them to enjoy.

Whether their obligation extends to things such as sponsoring professional sports teams, donations to for-profit businesses like The Empire Mall and monies to youth athletics, in exchange for exclusive and restrictive marketing agreements, is something we must decide as a society.

Ray Trankle, Sanford Health's vice president for public affairs, gives us some guidance with his statements in Lalley's column.

"We decide to invest a certain amount of money for sponsorships, and for that we want to get as much value as possible...We need to have some business attachment, some business sense," Trankle says. There isn't a section of the IRS code that directs charity, religious, educational or scientific endeavors to be tied to "business attachment" or "business sense."

Taxpayer-funded entities like the Sioux Falls Arena and the state and public school systems should not enter into agreements that allow individuals or businesses to support (read advertise and market) them and prohibit their supporters' competitors from participating. When a nonprofit enterprise enters into such agreements with other non-profits such as the YMCA and YWCA and then excludes taxed businesses and individuals who also would like to support our community, questions must be asked. Are these arrangements a fulfillment of the nonprofits' missions, or are they a marketing decision using tax-exempt dollars to compete against those that do not enjoy this advantage?

So, what's the solution? I offer two options.

First, I call on the leaders of our nonprofit hospital systems to cease the practice of requiring exclusivity in exchange for support. Nonprofit hospital systems are not the same as a car dealership. To equate the two is intellectually dishonest and denies the reality that the tax code and the citizens of our country acknowledge and encourage this difference.

Second, those of us who are involved in raising money for the things we believe in and support need to be willing to say no to these kinds of arrangements. Conditional support is not really support at all. It is the purchase of a service; in this case it would be called marketing.

The mass media has convinced most of our great nation that we can be divided into red and blue. Do we really want the "Best Little City in America" carved up into blue and green?

MY VOICE

Dr. Blake Curd, 39, is a hand/microvascular surgeon at the Orthopedics Institute in Sioux Falls.

He is immediate past chairman of the Department of Orthopedic Surgery at Avera McKennan, chairman of the board of Surgical Management Professionals and a director for Physician Hospitals of America

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