

Pennsylvania Senate  
Finance Committee

Public Hearing on Act 55 of 1997

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Chairman Browne and Members of the Senate Finance Committee, I am Rob DeMichiei, Chief Financial Officer for the University of Pittsburgh Medical Center (UPMC).

We appreciate the opportunity to present our views on Act 55 of 1997, the Institutions of Purely Public Charity Act. The Act clarifies the criteria that determine a charitable institution's property and sales tax exemption status.

As a non-profit, tax-exempt entity, we recognize the need to be accountable to this community for how we comply with the Act and utilize the privilege of tax exemption. It's fair to ask, are the region's taxpayers benefiting as much as they would if we simply paid taxes?

We believe that the answer is a resounding yes. We go far beyond what Act 55 and federal law strictly demand in trying to be a good neighbor and a valuable community asset. Our strong board of local community leaders actively manages this asset called UPMC in the best interests of this region, not for the benefit of any shareholders or individuals.

Everything that we do in this \$7 billion organization is focused on meeting the needs of this community—from our world-class medical care to community programs and donations to our economic revitalization efforts. We are reinvesting all of our much-publicized "profit" back into health care and into this community.

Of course, our first and foremost mission is to provide the world's best patient care and to support the medical research that will allow people to live better, longer lives. It is certainly no accident that UPMC has been ranked one of America's best hospitals eight times by *U.S. News & World Report*. Fewer than 1% of the nation's 5,400 hospitals make this prestigious list.

To provide world-class health care right here in Pittsburgh, we must continually invest in our doctors, nurses, facilities, equipment and information technology. This is a hugely capital intensive business—our capital spending budget this fiscal year alone will top \$600 million.

These investments are not counted as part of any official calculation of our community contribution. But a new, state-of-the-art \$575 million Children's Hospital **IS** a significant community benefit. Likewise, our \$1 billion commitment so far to electronic health records for improved patient safety **IS** a community benefit. In the years ahead, we expect to spend hundreds of millions of additional dollars renovating the hospitals on our Oakland campus--again a community benefit that will be paid for primarily by UPMC, not the taxpayers.

Likewise, UPMC continues to support money-losing hospitals in economically distressed areas such as Braddock and McKeesport. And we're prepared to spend millions of dollars upgrading Mercy Hospital in Uptown if the FTC allows that merger to proceed. This promises to help revitalize that mostly minority neighborhood just as our new facilities

and expansions are doing in parts of Shadyside and Lawrenceville. We are supporting these hospitals and these communities because it's the right thing to do.

Although Act 55 does not require that we embrace efforts to assist the local economy, we accept the obligation to build a brighter economic future here. Our efforts go beyond our direct \$6 billion in spending and 45,000 jobs. We're investing in new companies and international ventures to bring new revenue and new talent into this region. We're partnering with such industry leaders as IBM, General Electric and Alcatel to jointly develop new products and services for the health care industry. This work, we hope, will create new jobs right here in Pittsburgh.

And we've increased our annual financial support to the University of Pittsburgh to ensure that it remains a vibrant research and teaching institution, drawing still more federal research dollars to this region. Already, UPMC and Pitt attract \$400 million annually in grants from the National Institutes of Health. That's money that might otherwise flow to institutions outside of western Pennsylvania. Science and medicine, we believe, are the backbone of Pittsburgh's next great "export economy," just as steel once played that crucial role.

Even when you consider the charity care and community benefits that **ARE** measured under Act 55, UPMC goes well beyond what is required. In the last fiscal year our uncompensated care topped \$279 million, more than double the amount five years ago. And we provided more than \$60 million in community services and donations--from

health screenings to anti-smoking programs to summer camps for kids. We support more than 450 not-for-profit civic and arts organizations, including the United Way, the Greater Pittsburgh Community Food Bank and the Urban League of Pittsburgh.

While much attention has been paid to our tax-exempt status in the city of Pittsburgh, it should be noted that UPMC and its employees pay over \$20 million each year in parking and payroll taxes plus other financial contributions to the city. UPMC is the largest voluntary contributor to the Pittsburgh Public Service Fund, a group of non-profit organizations that collectively give \$4.4 million annually to the city. We have always given our fair share to these efforts, and we will continue to do so. But UPMC alone cannot solve the city's financial woes.

To conclude, we are proud of the many ways that we are giving back to this community. Allocating our resources is always a delicate balancing act, especially in the face of so many unmet community needs. But we are committed to doing what is right for our patients, our employees and the citizens of this region.