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## Non-profit hospitals: subsidies for themselves, but not for patients

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*Governments in India have long subsidised charitable trust hospitals in the hope of using some of that capacity for the treatment of the poor. In this blogpost Dr Indira Chakravarthi and Shweta Marathe highlight points from a [recent article in Economic and Political Weekly \(https://www.epw.in/journal/2019/1/commentary/name-charity.html\)](https://www.epw.in/journal/2019/1/commentary/name-charity.html), arguing that many of these hospitals misuse their trust status to claim tax exemption, do not abide by mandated rules, behave more like their for-profit counterparts, and should have their subsidies reclaimed.*

Hospitals run by non-profit trusts form a significant proportion of the private hospital sector in Maharashtra, especially in the cities of Mumbai and Pune ([https://www.youtube.com/watch?v=4Nor\\_gZFoK8](https://www.youtube.com/watch?v=4Nor_gZFoK8)). Such trust hospitals have, over the years, received substantial government subsidies, such as cheap land and tax breaks. In return they are expected to keep overall fees low and function with a philanthropic spirit, and to provide subsidised medical care to the poor. They cannot ask for any deposits during the admission of poor patients, cannot charge for doctors' fees and theatre fees; and can only take 50% of billing rates for medicines, consumables and implants. The hospitals are expected to transfer 2% of gross patient billings (except the poor and indigent) to an Indigent Patient Fund that is administered by the hospital and used to pay for treatment for the poor, and any donations received for medical treatment of the poor must also be added to the hospital's Indigent Patient Fund.

### **Non-compliance and reluctance**

In reality, many trust hospitals fail to honour their charitable obligations. They charge fees comparable to other large for-profit hospitals. Government audits ([https://cag.gov.in/content/report-no27-2017-performance-audit-union-government-assessment-private-hospitals-reports;%20%20http://agmaha.nic.in/Audit%20Reports/Pr\\_Aud\\_mum/2015-16/AR%202014-15%20GSS%20English.pdf](https://cag.gov.in/content/report-no27-2017-performance-audit-union-government-assessment-private-hospitals-reports;%20%20http://agmaha.nic.in/Audit%20Reports/Pr_Aud_mum/2015-16/AR%202014-15%20GSS%20English.pdf)) found some were taking deposits from poor patients, or requesting fees for diagnostics, surgery, anaesthesia, and intensive care. The audits also revealed irregularities in the recording of donations. In some cases no Indigent Patient Fund had been created, and in others it received less than the mandated 2% of patient billing.

Given this situation, where patients in trust hospitals are charged similar rates as in the for-profit hospitals, where trust hospitals avail income tax exemptions and also receive donations, the claim that their Indigent Patient Fund runs dry by the middle of the month or that they cannot treat the poor free of cost needs scrutiny. The non-compliance of trust hospitals regarding their charitable obligations is well-documented (Kurian, 2013 (<http://www.cehat.org/publications/1491287905>)), and invalidates the repeated claims of the Association of Hospitals in Mumbai that 'its members were doing enough charity'.

### **Failure to enforce obligations**

Increasingly many trust hospitals are imitating the for-profit sector in terms of management, facilities, marketing and billing practices. There is no law that prohibits them from doing this; however, there is the potential for the charity commissioner to direct government withdrawal of the generous subsidies given to these trust hospitals. To date, there has not been a single instance of disciplinary action against offending hospitals.

There is the larger issue of political will to enforce. This is well illustrated by the case of Ambani Hospital in Mumbai (<https://www.dnaindia.com/india/report-dna-exclusive-state-govt-pulls-up-kokilaben-hospital-imposes-rs-174-cr-fine-2550570>). The original trust was given land at a concessional rate for setting up a cardiac specialty hospital; family members of the Ambani group became part of this Trust and built the Ambani Hospital, which was found to be using the land for commercial purposes (<https://www.dnaindia.com/mumbai/report-dna-exclusive-trustee-technicality-grants-anil-ambani-rs-175-cr-relief-2674811>). In 2012 the Collector of the concerned area ordered that the government should either take over the land, or charge 75% of the unearned income according to the land value. The hospital appealed and the Collector's order was blocked by the revenue minister. In 2017 the Collector again issued an order imposing a fine of 1.7 billion rupees but the Minister ordered a review, again preventing collection of the penalty.

### **Time for action, time to re-assess**

There are clear problems with current systems for providing and monitoring charitable activities by trust hospitals. In the short-term we need to see immediate action to assess their compliance and withdraw non-profit status if necessary. As Ravi Duggal noted (<https://www.epw.in/journal/2012/25/commentary/uncharitable-trust-hospitals.html>), 'if there is no charity forthcoming from them, it amounts to a huge economic and social crime that should be investigated.' In the longer-term there needs to be a thorough debate about who benefits from the current system of subsidies in Maharashtra and across India, and whether this seemingly flawed approach of 'limited charity' should continue to drain much needed public resources from the state that refuses to increase public spending on improving its own health infrastructure to provide free medical care.

*This blogpost is based on a commentary article published in Economic and Political Weekly in January 2019. The article is available [here](https://www.epw.in/journal/2019/1/commentary/name-charity.html) (<https://www.epw.in/journal/2019/1/commentary/name-charity.html>).*

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