HOSPITAL COMMUNITY BENEFIT SPENDING

Improving transparency and accountability around standards for tax-exempt hospitals

Lown Institute Policy Brief
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BACKGROUND

Nonprofit hospitals are exempt from tens of billions in federal, state, and local taxes, and, in exchange, are expected to give back to their communities in the form of financial assistance and investments in community health. Hospitals are required to report this "community benefit" spending to the IRS on Schedule H of the 990 tax form.

However, loopholes and lax oversight have resulted in wide variation in spending with the vast majority of hospitals failing to give back as much as they gain in tax breaks. The issue of community benefit spending has become increasingly important as Americans are being squeezed by medical debt and preventable chronic disease continues to plague communities, especially communities of color and lower incomes.

INSIGHTS FROM OUR RESEARCH

A recent Lown Institute analysis of IRS filings for 2,425 nonprofit hospitals provides insights to some of the key issues with the current community benefit standard, and how policymakers can improve these regulations.

Most hospitals give back less than they take. About 80% of hospitals spent less on meaningful community investment compared to the value of their tax breaks, amounting to a total fair share deficit of **$25.7 billion** in 2021.

Community investment varies considerably, even for similar hospitals. In every state, the most generous hospitals spent at least five times more than the least generous on community investment, as a share of expenses.

Social determinants are largely ignored. Despite growing recognition that social factors have a large impact on health, only 2% of reported community investment went to these types of programs.

Lack of detail on Schedule H hinders accountability. Many hospitals provide insufficient detail in their Schedule H on how their community investment was spent. In addition, 41% of hospitals filed their 990 as part of a larger hospital group, making it difficult to attribute spending by hospital.

80%

of hospitals have a fair share deficit

$26B

total fair share deficit for all hospitals

21

number of hospitals with fair share deficits that exceed $100,000,000

A hospital is considered to have a **fair share deficit** when it recieves more in tax breaks than it spends on meaningful community investments.

RECOMMENDATIONS

Transparency

Require hospitals to **report spending on community benefit programs that are directly related to priority health needs** identified in the hospital's Community Health Needs Assessment, including a breakdown by health need and program, as Massachusetts does.

Require hospitals to **report more information on financial assistance and extraordinary debt collection actions** on Schedule H, including the number of patients given financial assistance, patients denied financial assistance, extraordinary collection action undertaken, and the amount recovered.

Require **reporting of community benefit spending by facility** rather than system, as California, Oregon, Massachusetts, and other states have done.

Require hospitals to **report the value of their tax exemption**, as Colorado recently approved.

Accountability

Create a **minimum threshold of meaningful community benefit spending** for hospitals, based on hospitals' financial positions, previous spending, and local needs, similar to what Oregon does.

Define eligibility thresholds for financial assistance, as California, Washington, Oregon, and several other states already do.

Consider **intermediate enforcement measures** like financial penalties for hospitals that do not comply with the community benefit standard.

Strengthen requirements for hospitals to **engage community members in the development of the CHNA and implementation plan**, as Colorado has done.

Disallow certain extraordinary debt collection actions, as New York has done, or establish a moratorium on these actions for a period of years.