COLORADO

Making the hospital tax exemption work for Colorado

An analysis of nonprofit hospital tax exemptions and community investments

LOWN INSTITUTE

SUMMARY

Colorado nonprofit hospitals receive $571 million in tax benefits each year

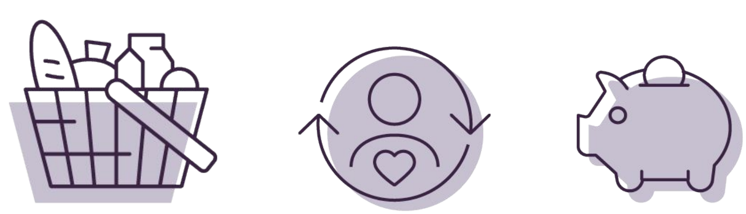
The Lown Institute analyzed how much 45 nonprofit hospitals in Colorado received in tax benefits and spent on free care and community health initiatives from 2020-2022. Data sources for this analysis include IRS Form 990, CMS hospital cost reports, and municipal property data.

KEY TAKEAWAYS

- ➔ From 2020-2022, **73% of private nonprofit hospitals in Colorado had a "fair share deficit,"** meaning they received more in tax benefits than they spent on meaningful community investments.
- ➔ The total fair share deficit for Colorado hospitals was **$321 million each year**. That's enough to feed all children in Colorado facing **food insecurity**, double what the state spends on **behavioral health community programs**, or wipe out **medical debt** for nearly 260,000 people.
- ➔ Substantial profits and property values drove large tax breaks for Colorado hospitals, giving the state **one of the highest tax exemption rates** among all 20 states studied.

$321 MILLION

COULD BE PUT BACK INTO THE COMMUNITY



INTRODUCTION

Nonprofit hospitals enjoy significant tax exemptions worth millions of dollars, and in return are expected to contribute to their communities through financial assistance and investments in community health. However, lax regulation leads to significant variation in the amount hospitals give back to their communities.

The Lown Institute has undertaken a comprehensive project across 20 states to assess hospitals' tax benefits and compare them to their community investments, what we call "Fair Share Spending." This initiative aims to identify hospitals that could do more for their communities, highlight leaders in community investment, and expose systemic issues within our healthcare system that lead to underspending.

TAX EXEMPTION VALUE RESULTS

From 2020-2022, Colorado hospitals received $571 million in tax breaks each year, an average of $12.9 million per hospital or 5.5% of expenses (the third highest rate out of the 20 states in this study).

Lown's tax exemption estimate for 2021 ($689 million) is lower than the state's tax exemption estimate of $861 million, which may be explained by differences in data sources and the exclusion of UCHealth Aurora and Denver Health in the Lown analysis (which do not file IRS Form 990).

PROPERTY, INCOME TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Colorado
Local property tax	$205 million	36%
Federal income tax	$160 million	28%
State and local sales tax	$111 million	19%
State income tax	$36 million	6%
Value of tax-exempt bonds	$29 million	5%
Value of tax-exempt donations	$28 million	5%
Federal unemployment tax	$2 million	0.3%
Total	**$571 million**	**100%**

Property tax made up the greatest proportion of the total exemption, driven by several hospitals in metropolitan areas like CommonSpirit – Penrose Hospital in Colorado Springs ($132 million worth of real estate) and Saint Joseph Hospital in Denver ($127 million).

Seven Colorado hospitals own **more than $50 million** in real property.

High incomes for some hospitals, particularly in 2021, drove large federal and state income tax breaks. For example, UCHealth Poudre Valley Hospital reported nearly $516 million and UCHealth Medical Center of the Rockies reported $183 million in net income that year.

COMMUNITY INVESTMENT RESULTS

From 2020-2022, nonprofit hospitals in the state spent $285 million on financial assistance and other community investments each year, an average of $6.4 million per hospital or 3.4% of expenses. Five hospitals spent less than 1% of expenses on community investment.

Financial assistance (free and discounted care) made up the largest proportion of total community investment (50%), potentially driven by Colorado's required discounts for patients making under 250% of the federal poverty level. Subsidized health services (essential clinical services provided at a loss to the hospital) were also a significant contributor, making up 28% of total community investment.

Colorado hospitals spent more proportionally on community health improvement activities than other states on average, a positive sign that hospitals are interested in addressing upstream health needs.

FINANCIAL ASSISTANCE LARGEST CATEGORY OF COMMUNITY INVESTMENT

Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Colorado
Financial assistance	$141 million	50%
Subsidized health care services	$79 million	28%
Community health improvement services	$46 million	16%
Cash and in-kind contributions	$16 million	6%
Community building activities	$3 million	1%
Total	**$285 million**	**100%**

FAIR SHARE SPENDING RESULTS

"Fair share spending" is the difference between hospitals' tax exemptions and community investment.

On average, 73% of hospitals received more in tax breaks than they spent on community investment from 2020-2022. Hospitals with a fair share deficit had a collective deficit of about $321 million each year.

For most of these hospitals, their large fair share deficits are driven by their wealth and size. However, low community investment spending also plays a role; all of these hospitals spent less than the state average rate on meaningful community investment.

Certain health systems are highly represented on the list of hospitals with largest deficits. Seven out of the top ten deficit hospitals are in either the UCHealth or Commonspirit health systems.

Some hospitals with large fair share deficits have also been in the news for suing patients for unpaid medical bills. UCHealth system sued patients 351 times, Children's Hospital sued 263 times, and National Jewish Hospital sued 31 times in the last six months of 2024.

HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN COLORADO

Average per year, 2020-2022

-$59 million	UCHealth Poudre Valley Hospital (Fort Collins)
-$46 million	UCHealth Medical Center of the Rockies (Loveland)
-$21 million	CommonSpirit - Penrose Hospital (Colorado Springs)*^
-$19 million	CommonSpirit - St. Anthony Hospital (Lakewood)*
-$18 million	AdventHealth Parker (Parker)*
-$16 million	Children's Hospital Colorado - Anschutz Medical Campus (Aurora)*^
-$13 million	Parkview Medical Center (Pueblo)
-$13 million	National Jewish Health Main Campus (Denver)
-$13 million	OrthoColorado Hospital (Lakewood)*
-$12 million	CommonSpirit - Mercy Hospital (Durango)*

**IRS information prorated across multiple hospitals*
^Includes more than one hospital campus within same CMS ID

HOSPITALS WITH FAIR SHARE SURPLUSES OVER $1 MILLION IN COLORADO

Average per year, 2020-2022

Mt. San Rafael Hospital (Trinidad)	**$10 million**
Banner North Colorado Medical Center (Greeley)*	**$7 million**
Southwest Memorial Hospital (Cortez)	**$3 million**
Rio Grande Hospital (Del Norte)	**$3 million**
Lutheran Medical Center (Wheat Ridge)*	**$2 million**
Platte Valley Medical Center (Brighton)	**$1 million**
Saint Joseph Hospital (Denver)	**$1 million**

**IRS information prorated across multiple hospitals*

All but one of these high-surplus hospitals above gave more proportionally in community investment than the state average, and two of these hospitals gave at more than four times that rate. The total community investment of these seven hospitals made up nearly 30% of the state's total community investment.

Among the community investments by these hospitals include asthma education and prevention, mental health telehealth services, medication-assisted addiction treatment, and post-partum maternity care initiatives.

We noted in the IRS Form 990s that some Colorado hospitals reported tens of millions in contributions made to other hospitals or physician groups in their system. We removed these contributions from our analysis, but policymakers should be aware that reporting of this category on the Schedule H may include donations to affiliated organizations when using IRS 990 data.

HOW COULD FILLING GAPS IN FAIR SHARE SPENDING IMPROVE COMMUNITY HEALTH?

The $321 million annual fair share deficit is enough to:

- ➔ More than double the $285 million currently spent on **behavioral health programs** (CGA) or cover the total cost of **inpatient and outpatient rehabilitation treatment** for all patients in Colorado ($144 million) (NCDAS). 87% of Colorado communities identified behavioral health as a key health need in their community health needs assessment (HCPF).
- ➔ **Wipe out medical debt for nearly 260,000 people** who owe $2,000 or less. An estimated 360,000 adults in Colorado owed medical debt each year in 2019-2021 (Peterson-KFF Health System Tracker).
- ➔ **Feed all 172,280 children facing food insecurity** in the state (Feeding America).
- ➔ **Hire 3,500 more registered nurses**. The average annual nurse salary in Colorado is $91,730 (Bureau of Labor Statistics).

UCHealth & CommonSpirit have largest system fair share deficits in Colorado

-$125 MILLION DEFICIT
UCHEALTH

-$86 MILLION DEFICIT
COMMONSPIRIT

POLICY IMPLICATIONS

Colorado is a leader in state policies around community benefit; however, there are still opportunities to improve transparency & accountability.

Colorado received a **"high" rating for medical debt protections** from Community Catalyst in 2023

BUILDING ON EXISTING POLICY

Colorado has been a **leader in policymaking** around hospital community benefit, with regulations to improve the CHNA feedback process and community engagement, reporting requirements that tie community benefit spending to specific health needs, and state reporting of hospital tax breaks. Future analyses may find a greater impact of these policies on hospital fair share spending as these regulations are implemented.

Given the relative profitability of Colorado hospitals, policymakers may consider a **community benefit spending minimum adjusted for hospital operating margin**, as Oregon does. Ideally a minimum spending threshold would have a target for spending on CHNA-related health needs.

Local policymakers could also consider a **payment in lieu of taxes (PILOT) program** in cities where hospitals have especially high property values, to recoup some forgone property tax revenue.

EXTRAORDINARY COLLECTION ACTIONS

Despite Colorado's extensive protections against medical debt, hospitals - in particular, UCHealth - initiated thousands of lawsuits against patients to collect medical debt in recent years, causing financial harm. Colorado currently requires hospitals to screen uninsured patients for financial assistance before collecting on debt; the state could **expand this mandatory screening to insured patients that owe over a certain amount**, as Oregon recently implemented.

The state could also increase transparency around these actions by **requiring hospitals to report each extraordinary collection action to the state**, as Los Angeles County is considering.

METHODOLOGY

The study analyzed seven types of tax exemptions enjoyed by hospitals in Colorado, including federal and state income tax, federal unemployment tax, sales tax, property tax, and the values of tax-exempt donations and bonds. Hospital net income data was sourced from CMS hospital cost reports. Information on tax-exempt donations and bonds was obtained from IRS Form 990. Three years of data (2020-2022) were included. In our property search, there was no ability to search by owner name on assessment portals, which may underestimate the total value of hospital properties.

UCHealth University of Colorado Hospital and Denver Health were not included in the analysis as they do not file IRS Form 990, which may underestimate the total state tax exemption and community investment.

Community investments were identified from IRS Form 990 Schedule H, including the following categories: financial assistance, community health improvement services, subsidized healthcare services, contributions to community groups, and community building activities. Contributions to affiliated hospitals, medical groups, or medical schools were removed. For hospitals that filed as a group, community investment data was prorated according to hospitals' share of system charity care.

LOWN INSTITUTE

163 Highland Avenue, Needham, MA 02494
lowninstitute.org 617.992.9322
Media contact: ATоleos@lowninstitute.org
Policy contact: JGarber@lowninstitute.org

ABOUT THE LOWN INSTITUTE

The Lown Institute is an independent think tank advocating bold ideas for a just and caring system for health. We envision a healthcare system focused on what's best for people, like hospitals caring for those most in need, patients living without fear of financial distress, and health professionals finding joy in their roles. Learn more: www.LownInstitute.org.