

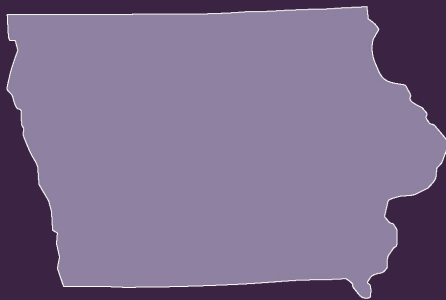
IOWA

# Making the hospital tax exemption work for Iowa

An analysis of nonprofit hospital tax  
exemptions and community investments



LOWN  
INSTITUTE



## SUMMARY

# Iowa nonprofit hospitals receive \$331 million in tax benefits each year

The Lown Institute analyzed how much 56 nonprofit hospitals in Iowa 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

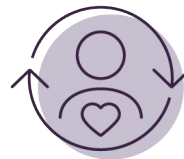
- From 2020-2022, **70% of private nonprofit hospitals in Iowa had a “fair share deficit,”** meaning they received more in tax benefits than they spent on meaningful community investments.
- The total fair share deficit for Iowa hospitals was **\$162 million each year.** That’s enough to feed two-thirds of all people in Iowa facing **food insecurity**, more than double the state’s **public health budget**, or **wipe out medical debt** for about 130,000 people.
- Fair share spending in Iowa highlights a **rural-urban divide**, in which hospitals in cities perform better financially but tend to give back proportionally less to communities.

## \$162 MILLION

COULD BE PUT BACK INTO THE COMMUNITY



FOOD



PUBLIC HEALTH



DEBT

## 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, Iowa hospitals received \$331 million in tax breaks each year, an average of \$6.1 million per hospital.

Property tax made up the largest proportion of the overall tax exemption, primarily driven by the value of property in Des Moines. For example, UnityPoint Health – Iowa Methodist Medical Center owns \$500 million worth of real estate and MercyOne Des Moines Medical Center owns \$360 million, according to county assessment data.

### PROPERTY, INCOME TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Iowa	
Local property tax	\$113 million	34%	<div style="width: 34%;"></div>
Federal income tax	\$71 million	21%	<div style="width: 21%;"></div>
State and local sales tax	\$66 million	20%	<div style="width: 20%;"></div>
State income tax	\$38 million	12%	<div style="width: 12%;"></div>
Value of tax-exempt donations	\$27 million	8%	<div style="width: 8%;"></div>
Value of tax-exempt bonds	\$15 million	5%	<div style="width: 5%;"></div>
Federal unemployment tax	\$1 million	0.4%	<div style="width: 0.4%;"></div>
<b>Total</b>	<b>\$331 million</b>	<b>100%</b>	

Nonprofit hospitals collectively own **\$860** worth of real estate in the Des Moines area.

High incomes also drove notable federal income tax breaks. For example, Iowa Methodist Medical Center reported \$223 million in net income in 2021 and three other hospitals had net income above \$40 million that year.

## COMMUNITY INVESTMENT RESULTS

From 2020–2022, Iowa hospitals spent \$212 million on financial assistance and other community investments each year, an average of \$3.9 million per hospital.

Subsidized health services (clinical services that meet an identified community need, provided at a loss to the hospital) made up the largest proportion of total community investment (43%). Financial assistance (free and discounted care for eligible patients) was the second-largest contributor, making up 29% of total community investment.

Compared to other states, Iowa hospitals spend less on average on community health improvement services, highlighting an opportunity to further invest in upstream and unmet health needs.

### SUBSIDIZED HEALTH CARE SERVICES LARGEST CATEGORY OF COMMUNITY INVESTMENT

Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Iowa	
Subsidized health care services	\$91 million	43%	<div style="width: 43%;"></div>
Financial assistance	\$61 million	29%	<div style="width: 29%;"></div>
Cash and in-kind contributions	\$39 million	18%	<div style="width: 18%;"></div>
Community health improvement services	\$17 million	8%	<div style="width: 8%;"></div>
Community building activities	\$4 million	2%	<div style="width: 2%;"></div>
<b>Total</b>	<b>\$212 million</b>	<b>100%</b>	

“Fair share spending” is the difference between hospitals’ tax benefits and community investment.

## FAIR SHARE SPENDING RESULTS

On average, 70% 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 \$162 million each year.











For most of these hospitals, their high 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 on community investment** and half of these hospitals spent under 50% of the state average rate.

UnityPoint Health Methodist stands out for their high fair share deficit. This hospital had the largest income in our data set by far, making nearly **\$200 million each year** on average from 2020-2022. MercyOne Des Moines’ fair share deficit was largely due to high property and sales tax exemption.

UnityPoint Health had the largest system total fair share deficit at -\$53 million. Trinity Health (which merged with MercyOne in 2022) had the second largest at -\$48 million.

### HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN IOWA

Average per year, 2020-2022









	<b>-\$47 million</b>	UnityPoint Health Iowa - Iowa Methodist Medical Center (Des Moines)^
	<b>-\$23 million</b>	MercyOne Des Moines Medical Center (Des Moines)*^
	<b>-\$15 million</b>	Mercy Medical Center (Cedar Rapids)
	<b>-\$12 million</b>	Genesis Medical Center, Davenport, East Rusholme Street (Davenport)*
	<b>-\$8 million</b>	Southeast Iowa Regional Medical Center, West Burlington (West Burlington)^
	<b>-\$8 million</b>	MercyOne North Iowa Medical Center (Mason City)*
	<b>-\$5 million</b>	UnityPoint Health - St. Luke’s Hospital (Cedar Rapids)
	<b>-\$5 million</b>	UI Health Care Medical Center Downtown (Iowa City)
	<b>-\$5 million</b>	MercyOne Dubuque Medical Center (Dubuque)*
	<b>-\$2 million</b>	Methodist Jennie Edmundson Hospital (Council Bluffs)

\*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 IOWA

Average per year, 2020-2022

Pella Regional Health Center (Pella)	\$9 million	
UnityPoint Health - Allen Hospital (Waterloo)	\$7 million	
Sanford Sheldon Medical Center (Sheldon)*	\$7 million	
MercyOne Siouxland Medical Center (Sioux City)*	\$5 million	
Gundersen Palmer Lutheran Hospital (West Union)	\$2 million	
St. Anthony Regional Hospital (Carroll)	\$2 million	
CHI Health - Mercy Corning (Corning)	\$2 million	
Avera Holy Family Hospital (Estherville)	\$1 million	

\*IRS information prorated across multiple hospitals

Nine of these surplus hospitals above gave more proportionally in community investment than the state average, and **six of these hospitals gave at more than twice that rate**. The total community investment of these eight hospitals made up more than 30% of the state's total community investment.

Among the community investments by these hospitals include childcare services, mental health centers, COVID-19 vaccine clinics, diabetes prevention, and more.

However, some hospitals provided **limited information about their spending on subsidized healthcare services**, despite this category comprising a substantial proportion of total spending. Additionally, some hospitals in the UnityPoint Health system reported considerable spending on cash and in-kind contributions for community benefit, but did not provide how these contributions were spent.

With a few exceptions, **most hospitals with large fair share deficits in Iowa are in urban locations** and most with fair share surpluses are in rural locations. This highlights an **urban-rural divide** in the Iowa hospital market, in which hospitals in cities perform better financially but appear to give back proportionally less to communities.

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

The \$162 million annual fair share deficit is enough to:

- **Nearly double state spending on preschool programs.** Currently the state spending \$91 million per year on a program that provides 10 hours per week of preschool instruction to children in participating school districts ([Iowa Department of Management](#)).
- **Feed more than 226,000 people facing food insecurity in Iowa.** Nearly 345,000 people in Iowa face food insecurity every year, including 110,000 children ([Feeding America](#)).
- **More than double the state's public health budget.** The state allocated \$56 million to public health programs in 2024, including programs for addictive disorders, infectious disease, and preventive care and screening for chronic conditions ([Iowa Department of Management](#)).
- **Wipe out medical debt for 129,600 people in Iowa who owe \$2,000 or less.** An estimated 180,000 adults in Iowa owed medical debt each year in 2019-2021 ([Peterson-KFF Health System Tracker](#)).



Iowa's fair share deficit is enough to **wipe out most medical debts in the state**.

## POLICY IMPLICATIONS

*Iowa can follow the lead of other states to reduce medical debt and fair share spending gaps.*

### TRANSPARENCY

We found that details in hospitals' Form 990 Schedule H were often limited, making it difficult to know how much hospitals were spending on priority health needs identified in their Community Health Needs Assessment.

To improve transparency around hospital community investments, state policymakers could:

- Require hospitals to **report spending on priority health needs** identified in Community Health Needs Assessments;
- Require hospitals to report the **number of patients who applied and received financial assistance**;
- Require hospitals to report the **number of extraordinary collection actions taken** to recover medical debt.

### ACCOUNTABILITY

Iowa does not have any financial assistance eligibility standards for private nonprofit hospitals. Income thresholds for free care for Iowa hospitals range from 100% of the federal poverty level to 250%. To improve access to assistance, policymakers can

- Set **minimum eligibility standards** for financial assistance;
- Require use of a **uniform financial assistance application**;
- Require hospitals to **screen patients** for assistance to ensure that all eligible patients receive a discount.

### MAKING THE SYSTEM EQUITABLE

Fair share spending in Iowa highlights a rural-urban divide, in which hospitals in larger cities perform better financially but give back proportionally less to communities, while rural hospitals operate on thin or negative margins.

To address these inequities, policymakers could implement an assessment on revenue or property for hospitals with low community investment spending. This pool of funds could be used by the local public health department to address community health needs and medical debt, or to relieve uncompensated care burden for rural safety net hospitals.





## METHODOLOGY

The study analyzed seven types of tax exemptions enjoyed by hospitals in Iowa, 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.

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. For hospitals that filed as a group, community investment data was prorated according to hospitals' share of system charity care.



163 Highland Avenue, Needham, MA 02494

lowninstitute.org 617.992.9322

Media contact: [AToleos@lowninstitute.org](mailto:AToleos@lowninstitute.org)

Policy contact: [JGarber@lowninstitute.org](mailto: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](http://www.LownInstitute.org).