LOUISIANA

Making the hospital tax exemption work for Louisiana

An analysis of nonprofit hospital tax exemptions and community investments

LOWN INSTITUTE

SUMMARY

Louisiana nonprofit hospitals receive $619 million in tax benefits each year

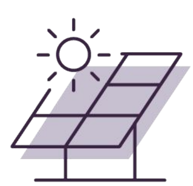
The Lown Institute analyzed how much 48 nonprofit hospitals in Louisiana received in tax benefits and spent on free care and community health initiatives from 2020-2022. Data sources for this analysis include IRS Form 990, CMS hospital cost reports, and municipal property data.

KEY TAKEAWAYS

- ➔ From 2020-2022, **68% of private nonprofit hospitals in Louisiana 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 Louisiana hospitals was **$315 million each year**. That's enough to feed 442,500 people in Louisiana facing food insecurity, **increase funding for coastal restoration** by nearly 20%, or wipe out **medical debt** for more than 270,000 people.
- ➔ Some of the **largest fair share deficit and surplus hospitals in the state are in Baton Rouge**, reflecting that there are "have and have nots" in the Baton Rouge hospital market.

$315 MILLION
COULD BE PUT BACK INTO THE COMMUNITY

FOOD



CLIMATE RESILIENCE

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.

TAX EXEMPTION VALUE RESULTS

From 2020-2022, Louisiana hospitals received $619 million in tax breaks each year, an average of $13.3 million per hospital (slightly less than the 20-state average of $14.2 million).

Property tax makes up the largest proportion of the overall tax exemption, primarily due to the amount of property owned by large academic medical centers in New Orleans. For example, University Medical Center New Orleans owns $156 million worth of real estate and Ochsner Medical Center owns $84 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, Louisiana
Local property tax	$270 million	44%
Federal income tax	$189 million	31%
State income tax	$78 million	13%
Value of tax-exempt donations	$46 million	7%
Value of tax-exempt bonds	$34 million	6%
Federal unemployment tax	$2 million	0.4%
State and local sales tax	$0	0%
Total	**$619 million**	**100%**

Nonprofit hospitals not exempt from sales taxes in LA

High incomes for some hospitals, particularly in 2021, drove large federal and state income tax breaks as well. For example, Willis Knighton North reported $530 million in net income in 2021 and Our Lady of the Lake Regional Medical Center reported $523 million in income that year.

COMMUNITY INVESTMENT RESULTS

From 2020-2022, Louisiana hospitals spent $407 million on financial assistance and other community investments each year, an average of $8.7 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 (58%). Financial assistance (free and discounted care for eligible patients) was the second-largest contributor, making up 26% of total community investment.

Compared to other states, Louisiana hospitals spend far less on average on community health improvement and community benefit activities, 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, Louisiana
Subsidized health care services	$235 million	58%
Financial assistance	$105 million	26%
Cash and in-kind contributions	$37 million	9%
Community health improvement services	$29 million	7%
Community building activities	$1 million	0.2%
Total	**$407 million**	**100%**

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

FAIR SHARE SPENDING RESULTS

On average, 68% 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 $315 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. Six of these hospitals spent less than 1% of their expenses on community investment.

One of the top-deficit hospitals and two of the top-surplus hospitals are in Baton Rouge. This reflects a pattern in urban hospital markets in which higher-resourced hospitals are often inaccessible to low-income patients, while "safety net" hospitals that serve more of these patients operate on thin margins.

HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN LOUISIANA

Average per year, 2020-2022

-$65 million	Our Lady of the Lake Regional Medical Center (Baton Rouge)*^
-$42 million	Willis Knighton North (Shreveport)^
-$29 million	University Medical Center New Orleans (New Orleans)
-$26 million	Thibodaux Regional Health System (Thibodaux)
-$26 million	Our Lady of Lourdes Regional Medical Center (Lafayette)*^
-$19 million	Children's Hospital New Orleans (New Orleans)
-$13 million	Lake Charles Memorial Hospital (Lake Charles)^
-$10 million	St. Francis Medical Center (Monroe)
-$7 million	Tulane Medical Center (Metairie)^
-$6 million	Ochsner Lafayette General Medical Center (Lafayette)^

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

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN LOUISIANA

Average per year, 2020-2022

Ochsner Medical Center - Baton Rouge (Baton Rouge)*	**$14 million**
Ochsner Medical Center - Kenner (Kenner)*	**$12 million**
Slidell Memorial Hospital East (Slidell)*	**$10 million**
East Jefferson General Hospital (Metairie)	**$9 million**
Ochsner Medical Center - New Orleans (New Orleans)*^	**$8 million**
Ochsner St. Mary Hospital (Morgan City)*	**$5 million**
Woman's Hospital (Baton Rouge)	**$5 million**
West Jefferson Medical Center (Marrero)	**$3 million**
CHRISTUS Ochsner St. Patrick Hospital (Lake Charles)*	**$2 million**
Ochsner University Hospital & Clinics (Lafayette)	**$2 million**

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

Eight of these high-surplus hospitals gave more proportionally in community investment than the state average, and some hospitals in the Oschner system gave back at twice that rate. The total community investment of these ten hospitals made up more than 65% of the state's total community investment.

Among the community investments by these hospitals include tobacco cessation programs, transportation services, screening and referrals for social determinants of health, career training, school-based health clinics, physician clinics in underserved areas, and more.

We found that some hospitals gave large contributions to other hospitals within their health system or to an affiliated joint venture, which were claimed as a community benefit. We have removed these contributions from our study but note that using Schedule H contributions directly from the IRS Form 990 may overstate how much hospitals are giving to community groups.

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

The $315 million annual fair share deficit is enough to:

- ➔ **Increase funding for coastal restoration by nearly 20%.** Louisiana has allocated $1.8 billion to coastal restoration projects in their latest budget. The amount of the fair share deficit is enough to increase this by 18% (LA Coastal Protection & Restoration Authority).
- ➔ **Feed 442,500 people in Louisiana** that face food insecurity every year. Nearly 800,000 people in Louisiana go hungry each year, including 267,000 children (Feeding America).
- ➔ **Wipe out medical debt for 273,600** people in Louisiana who owe $2,000 or less. An estimated 380,000 adults in Louisiana owed medical debt each year in 2019-2021 (Peterson-KFF Health System Tracker).

Louisiana's largest fair share deficit and surplus hospitals are located in Baton Rouge.

-$65 MILLION DEFICIT

OUR LADY OF THE LAKE REGIONAL MEDICAL CENTER

$14 MILLION SURPLUS

OCHSNER MEDICAL CENTER - BATON ROUGE

Louisiana's fair share deficit is enough to **erase medical debt for more than 200,000 people**.

POLICY IMPLICATIONS

Louisiana can follow the lead of other states to fill fair share spending gaps.

TRANSPARENCY

Details in hospitals' Form 990 Schedule H are often limited, making it difficult to know how much hospitals spend 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

Louisiana applies financial assistance requirements to hospitals in public-private partnerships, but not all hospitals. For private nonprofit hospitals in Louisiana, income thresholds for free care range from 100% of the federal poverty level to 250%. To improve access to assistance, policymakers can

- Set **minimum eligibility standards** for financial assistance for all hospitals;
- 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 Louisiana highlights the problem of "have and have nots" within the hospital system, as some of the largest fair share deficit and surplus hospitals are in the same metro areas.

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 safety net hospitals.

METHODOLOGY

The study analyzed six types of tax exemptions enjoyed by hospitals in Louisiana, including federal and state income tax, federal unemployment 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.

Louisiana is a non-disclosure state, meaning a property's sales price does not have to be made public. Therefore, hospitals' estimated property tax exemption may be an underestimate.

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.

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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.