

MASSACHUSETTS

Making the hospital tax exemption work for Massachusetts

An analysis of nonprofit hospital tax
exemptions and community investments



LOWN
INSTITUTE



SUMMARY

Massachusetts nonprofit hospitals receive \$1.7 billion in tax benefits

The Lown Institute analyzed how much 50 nonprofit hospitals in Massachusetts 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, municipal property data, and Massachusetts state reports.



KEY TAKEAWAYS

- From 2020-2022, **58% of private nonprofit hospitals in Massachusetts 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 Massachusetts hospitals was **\$1.0 billion each year.** That’s enough to feed all people in Massachusetts facing food insecurity or **wipe out all medical debt in the state.**
- Some of the **largest fair share deficit and surplus hospitals in the state are in Boston,** reflecting that there are “have and have nots” in the Boston hospital market.
- An analysis of community benefit spending reported to IRS compared to the state found that eleven hospitals had **significant differences in reported spending by data source.**

\$1.0 BILLION

COULD BE PUT
BACK INTO THE
COMMUNITY



FOOD



HOUSING



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 and highlight leaders in community investment.

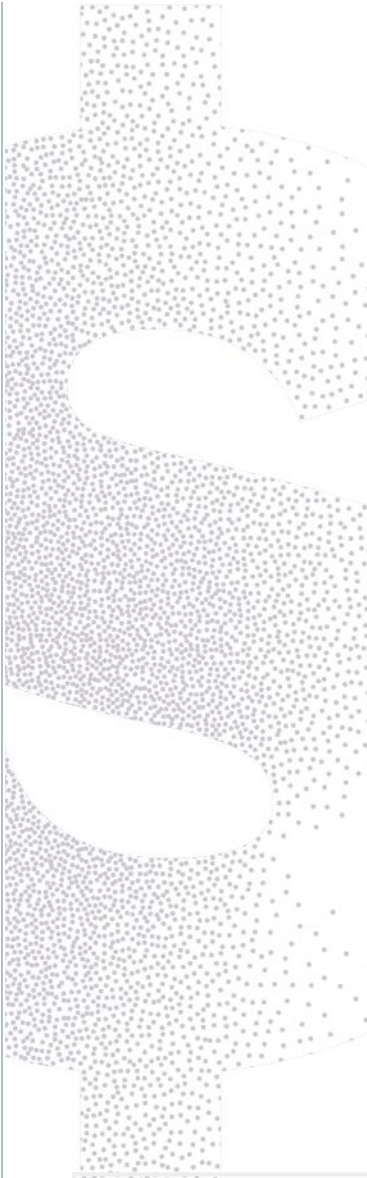
Massachusetts has a unique requirement that asks hospitals to report their community benefit spending specifically on health needs identified in the Community Health Needs Assessment. In this report we include a comparison of fair share spending using both IRS 990 Schedule H and state-based reports.

TAX EXEMPTION VALUE RESULTS

From 2020–2022, Massachusetts hospitals received \$1.7 billion in tax benefits each year, an average rate of \$33.6 million per hospital or 4.9% of expenses. Massachusetts had the highest per-hospital tax exemption across all 20 states.

DONATIONS, PROPERTY TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Massachusetts
Value of tax-exempt donations	\$782 million	47%
Local property tax	\$385 million	23%
State sales tax	\$229 million	14%
Federal income tax	\$143 million	9%
Value of tax-exempt bonds	\$77 million	5%
State income tax	\$59 million	4%
Federal unemployment tax	\$6 million	0.3%
Total	\$1.7 billion	100%



The value of tax exempt donations was the largest proportion of tax benefits for hospitals, primarily due to large amounts of donations received by hospitals in the Mass General Brigham system. This system reported receiving about \$3 billion in contributions, grants, and gifts each year from 2020-2022, a portion of which they would likely not receive if they were not tax-exempt.

Property tax exemption also made up a significant proportion of the overall tax exemption, driven mostly by the value of real estate in the Boston area. According to county assessment data, Massachusetts General Hospital owns \$3 billion worth of real estate and Boston Children’s Hospital owns \$1.9 billion.

COMMUNITY INVESTMENT RESULTS

From 2020-2022, Massachusetts hospitals spent \$990 million on community investments each year, an average of \$19.8 million per hospital or 3.6% of expenses, according to IRS Form 990 Schedule H.

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 (48%). Financial assistance (free and discounted care for eligible patients) was the second-largest contributor, making up 31% of total community investment

Payments in lieu of taxes (PILOT) made by certain hospitals were included as a form of community investment. Typically, hospitals are asked to contribute 25% of what they would have paid in property tax to the city to support critical public services.

COMMUNITY INVESTMENT, IRS FORM 990

Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Massachusetts
Subsidized health care services	\$473 million	48%
Financial assistance	\$310 million	31%
Community health improvement services	\$112 million	11%
Cash and in-kind contributions	\$47 million	5%
Community building	\$30 million	3%
PILOT payments	\$18 million	2%
Total	\$990 million	100%

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

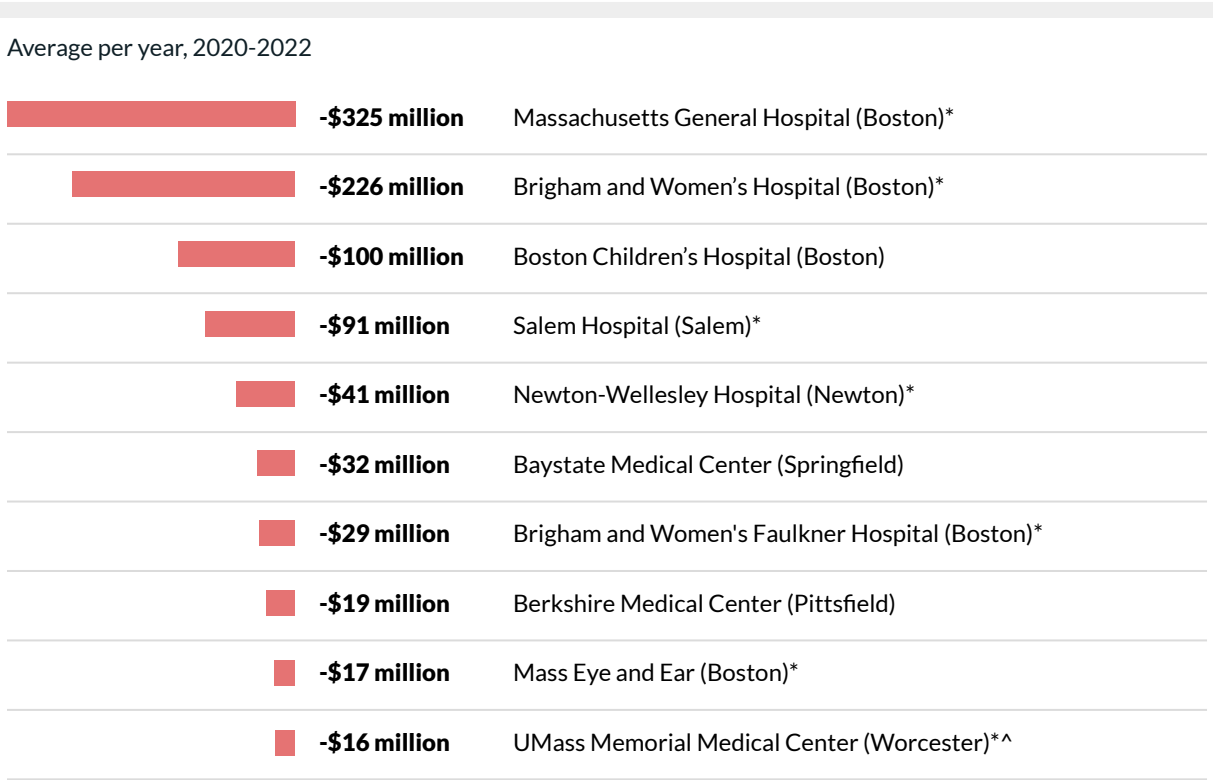
FAIR SHARE SPENDING RESULTS

On average, 58% 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 \$1.0 billion each year.

The wealth and size of some Massachusetts hospitals drives their large fair share deficits. However, low community investment spending also plays a role. Seven of these hospitals spent less than 2% of expenses on community investment.

Half of the top-deficit hospitals and two of the top-surplus hospitals are in Boston. 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 MASSACHUSETTS



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

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN MASSACHUSETTS

Average per year, 2020-2022

Boston Medical Center (Boston)	\$48 million	
Lahey Hospital & Medical Center (Burlington)^	\$43 million	
Cape Cod Hospital (Hyannis)*	\$40 million	
Tufts Medical Center (Boston)	\$32 million	
Beverly Hospital (Beverly)*	\$23 million	
Beth Israel Deaconess Hospital - Plymouth (Plymouth)	\$20 million	
Winchester Hospital (Winchester)	\$17 million	
Beth Israel Deaconess Hospital - Milton (Milton)	\$13 million	
Baystate Wing Hospital (Palmer)	\$10 million	
South Shore Hospital (South Weymouth)	\$10 million	

*IRS information prorated across multiple hospitals

^Includes more than one hospital campus within same CMS ID

All of these top-surplus hospitals above gave more proportionally in community investment than the state average. The total community investment of these ten hospitals made up nearly half of the state’s total community investment.

Examples of community investments by these hospitals include a food pantry, public safety initiatives, home grocery delivery, non-medical case management services for patients with HIV, health screenings, mini-medical school program, and emergency preparedness training.

While subsidized healthcare services was the leading community investment category, some Massachusetts hospitals provided limited information about their spending on these services on their 990s.

COMPARISON USING STATE REPORTS

Massachusetts has a unique requirement that asks hospitals to report their spending on programs to address health needs identified in the Community Health Needs Assessment (CHNA). We compared hospital reported spending to the IRS and the state to identify trends and discrepancies in reporting.

In total, hospitals reported spending \$990 million to the IRS and \$855 million to the state, a 16% difference. We found that most hospitals reported more community investment spending on IRS Form 990 than the state reports, indicating that many hospitals are reporting spending to the IRS that is not directly related to health needs identified in the CHNA.

However, some hospitals reported far more spending to the state than the IRS, possibly because they did not report community building activities on their IRS 990 (programs designed to address the social drivers of health).

HOSPITALS WITH LARGEST DIFFERENCES IN COMMUNITY INVESTMENT

Average per year, 2020-2022	IRS		State Report		Difference	
	Community Investment	Fair Share Spending	Community Investment	Fair Share Spending	Community Investment	Fair Share Spending
Lahey Hospital & Medical Center	\$79 million	\$43 million	\$19 million	-\$17 million	-\$60 million	-\$60 million
Tufts Medical Center	\$80 million	\$32 million	\$19 million	-\$28 million	-\$62 million	-\$60 million
Cape Cod Hospital	\$54 million	\$40 million	\$26 million	\$12 million	-\$28 million	-\$28 million
Beth Israel Deaconess Hospital - Plymouth	\$28 million	\$20 million	\$5 million	-\$3 million	-\$23 million	-\$23 million
South Shore Hospital	\$28 million	\$10 million	\$10 million	-\$8 million	-\$18 million	-\$18 million
Winchester Hospital	\$25 million	\$17 million	\$7 million	\$682,000	-\$17 million	-\$17 million
Beth Israel Deaconess Hospital - Milton	\$18 million	\$13 million	\$3 million	-\$2 million	-\$15 million	-\$15 million
Beverly Hospital	\$34 million	\$23 million	\$19 million	\$8 million	-\$15 million	-\$15 million
Beth Israel Deaconess Medical Center	\$65 million	-\$7 million	\$53 million	-\$16 million	-\$12 million	-\$9 million
Massachusetts General Hospital	\$90 million	-\$325 million	\$165 million	-\$243 million	\$75 million	\$82 million
Boston Children's Hospital	\$43 million	-\$100 million	\$93 million	-\$48 million	\$51 million	\$52 million

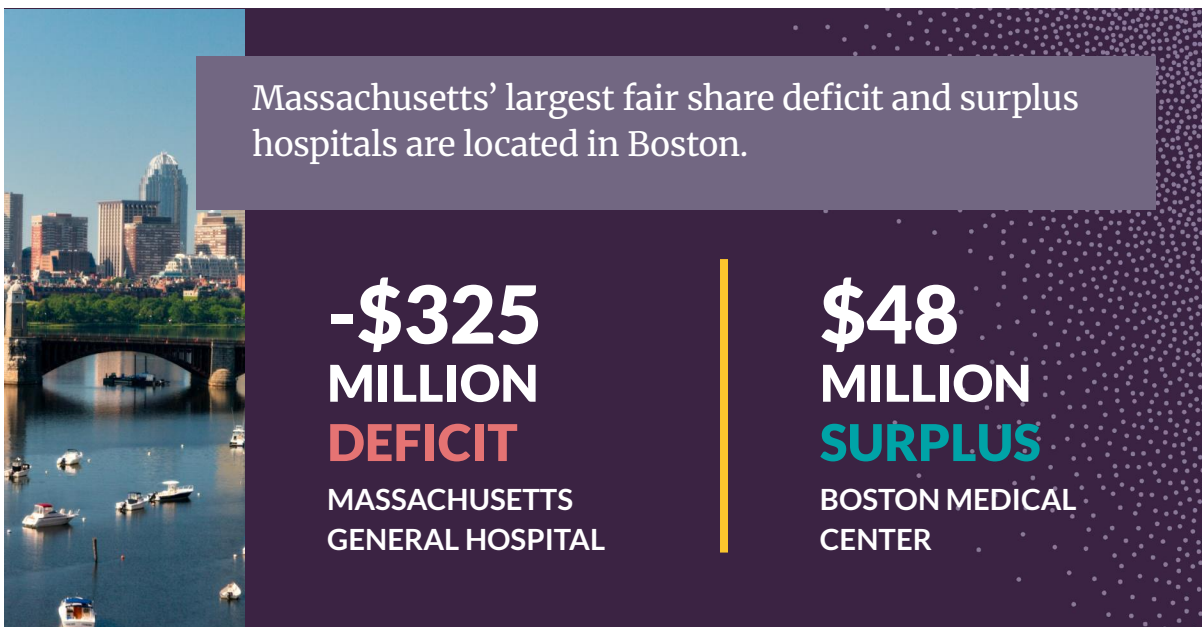
COMPARISON OF FAIR SHARE SPENDING USING IRS V STATE DATA

Average per year, 2020-2022	IRS community investment data			State community investment data		
	Community investment	% hospitals with fair share deficit	Fair share deficit	Community investment	% hospitals with fair share deficit	Fair share deficit
Massachusetts hospitals (n=50)	\$990 million	58%	-\$1 billion	\$855 million	71%	-\$915 million

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

The \$1 billion annual fair share deficit is enough to:

- **Double state spending on certain affordable housing initiatives.** The 2024 Affordable Homes Act authorized \$800 million in spending for the Affordable Housing Trust Fund and \$2 billion for public housing repair and modernization over the next five years, or \$560 million per year ([Mass.gov](#)).
- **Triple the state’s funding for climate resilience initiatives.** Massachusetts spent \$315 million in state and federal funds on projects to prepare for the impacts of climate change and mitigate climate hazards ([Mass.gov](#)).
- **Feed all people facing food insecurity in Massachusetts.** An estimated 713,870 people in Massachusetts are facing hunger, with a funding gap of \$592 million in the state ([Feeding America](#)).
- **Wipe out 100% of medical debt in the state.** An estimated 270,000 adults in Massachusetts owed medical debt each year in 2019-2021, totaling \$768 million ([Peterson-KFF Health System Tracker](#)).



Massachusetts' fair share deficit is enough to **wipe out 100% of medical debt in the state**.

POLICY IMPLICATIONS

How Massachusetts can build on its existing community benefit policies.

COMMUNITY BENEFIT REPORTING

Massachusetts already has a voluntary community benefit reporting requirement that breaks out spending on health needs identified in the Community Health Needs Assessment. However, it's unclear how state leaders are using these reports. Massachusetts could build on its existing requirement by issuing **more detailed statewide summary reports** identifying variation and trends in hospital community benefit spending and potential policy improvements, as Colorado and Maryland have done.

ACCOUNTABILITY

Massachusetts' [Health Safety Net](#) program protects low-income patients from medical debt by paying hospitals for care delivered to these patients, prohibiting collection actions, and specifying installment plans.

However, 13% of Massachusetts families still face [medical debt](#). To reduce the burden of medical debt, Massachusetts policymakers have proposed [excluding medical debt from credit reports](#), limiting other [extraordinary collection actions](#), [expanding eligibility](#) for the Health Safety Net, and [requiring](#) hospitals to report information on medical debt to the state.

In particular, [proposed legislation](#) to **define eligibility** for financial assistance, create a **uniform financial assistance application**, develop **presumptive eligibility** standards, and create an **annual FAP report** would put Massachusetts on the level of Colorado, Maryland, and others states leading the way on this issue.

PILOT PAYMENTS

Boston has a long-standing **Payment in Lieu of Taxes (PILOT)** program to recoup some of the forgone property taxes from tax-exempt hospitals, universities, and other nonprofits. However, in our analysis we found that the value of hospital property used to create the PILOT payment request was much lower than the actual assessed property value for several hospitals due to how the PILOT program is structured. Boston may consider **revising the structure of the PILOT program to base payments on current property values**.

Additionally, a [state proposal](#) to **allow cities and towns to adopt PILOT programs** could be incredibly valuable in areas with high hospital property values such as Springfield and Worcester.



METHODOLOGY

The study analyzed seven types of tax exemptions enjoyed by hospitals in Massachusetts, 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. PILOT payments were included as a community investment for hospitals in Boston and Winchester.



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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.