

MICHIGAN

Making the hospital tax exemption work for Michigan

An analysis of nonprofit hospital tax
exemptions and community investments



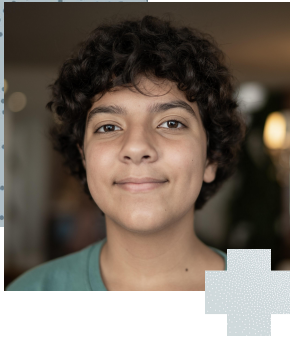
LOWN
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SUMMARY

Michigan nonprofit hospitals receive \$1 billion in tax benefits each year

The Lown Institute analyzed how much 112 nonprofit hospitals in Michigan 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 and CMS hospital cost reports.



KEY TAKEAWAYS

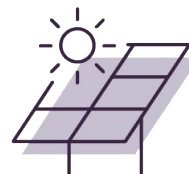
- From 2020-2022, **75% of private nonprofit hospitals in Michigan had a “fair share deficit,”** meaning they received more in tax benefits than they spent on meaningful community investments.
- The total fair share deficit for Michigan hospitals was **\$605 million each year.** That’s enough to feed 862,000 people in Michigan facing food insecurity, cover most of the cost of **lead line removal**, or wipe out medical debt for 500,000 people.
- Some large nonprofit hospital systems had high system-wide deficits. For example, **Henry Ford Health System’s deficit was -\$106 million each year on average from 2020-2022.**

\$605 MILLION

COULD BE PUT
BACK INTO THE
COMMUNITY



FOOD

ENVIRONMENTAL
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, Michigan hospitals received \$1 billion in tax breaks each year, an average of \$9.5 million per hospital.

High incomes for some hospitals, particularly in 2021, drove large federal income tax breaks. For example, University of Michigan Health - West reported \$854 million in net income in 2021 and seven other hospitals had net income above \$100 million that year. In 2022, Ascension Genesys hospital made over \$500 million.

INCOME, PROPERTY TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Michigan	
Federal income tax	\$333 million	32%	<div style="width: 32%;"></div>
Local property tax	\$265 million	25%	<div style="width: 25%;"></div>
State sales tax	\$218 million	21%	<div style="width: 21%;"></div>
State income tax	\$101 million	10%	<div style="width: 10%;"></div>
Value of tax-exempt bonds	\$73 million	7%	<div style="width: 7%;"></div>
Value of tax-exempt donations	\$48 million	5%	<div style="width: 5%;"></div>
Federal unemployment tax	\$6 million	0.6%	<div style="width: 0.6%;"></div>
Total	\$1 billion	100%	

COMMUNITY INVESTMENT RESULTS

From 2020–2022, Michigan hospitals spent \$505 million on financial assistance and other community investments each year, an average of \$4.6 million per hospital or 1.76% of expenses. This was the lowest rate of community investment among the 20 states studied.

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 (42%) Financial assistance (free and discounted care for eligible patients) was the second-largest contributor, making up 39% of total community investment.

Compared to other states, Michigan hospitals spent slightly more on average on community health improvement services, a positive sign that they are interested in addressing upstream health needs.

Despite the need for free care in the state ([9% of Michigan adults](#) owed medical debt from 2019–2021), most hospitals in the state spent less than 1% of their expenses on charity care.

SUBSIDIZED HEALTH CARE SERVICES LARGEST CATEGORY OF COMMUNITY INVESTMENT

Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Michigan
Subsidized health care services	\$212 million	42%
Financial assistance	\$197 million	39%
Community health improvement services	\$69 million	14%
Cash and in-kind contributions	\$18 million	4%
Community building activities	\$8 million	2%
Total	\$505 million	100%

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

FAIR SHARE SPENDING RESULTS










On average, 75% of Michigan hospitals received more in tax benefits than they spent on community investment from 2020-2022. Hospitals with a fair share deficit had a collective deficit of about \$605 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. Eight of these hospitals spent less than 1% of expenses on community investment.

Many of the high-deficit hospitals in Michigan are in large systems, such as Henry Ford, University of Michigan Health, Corewell Health, and Trinity Health. The largest total system deficits were Henry Ford (-\$106 million), University of Michigan Health (-\$92 million), and Trinity Health (-\$86 million).

HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN MICHIGAN

Average per year, 2020-2022










	-\$76 million	University of Michigan Health - West (Wyoming)
	-\$53 million	Henry Ford Genesys Hospital (Grand Blanc)
	-\$40 million	Bronson Methodist Hospital (Kalamazoo)
	-\$37 million	Corewell Health Grand Rapids Hospitals - Butterworth (Grand Rapids)*
	-\$33 million	Trinity Health Ann Arbor Hospital (Ann Arbor)*
	-\$23 million	Trinity Health Grand Rapids Hospital (Grand Rapids)*
	-\$20 million	Covenant Medical Center Harrison (Saginaw)
	-\$16 million	McLaren Macomb (Mount Clemens)
	-\$14 million	Barbara Ann Karmanos Cancer Institute (Detroit)
	-\$13 million	Ascension Providence Hospital - Southfield Campus (Southfield)^

*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 MICHIGAN

Average per year, 2020-2022

Pine Rest Christian Mental Health Services (Grand Rapids)	\$8 million	
Grayling Hospital (Grayling)	\$6 million	
Beaumont Hospital, Wayne (Wayne)*	\$5 million	
Beaumont Hospital, Grosse Pointe (Grosse Pointe)*	\$5 million	
Aspirus Keweenaw Hospital (Laurium)	\$4 million	
MyMichigan Medical Center Sault (Sault Sainte Marie)	\$4 million	
Three Rivers Health Hospital (Three Rivers)	\$3 million	
Memorial Healthcare Hospital (Owosso)	\$2 million	
MyMichigan Medical Center Alma (Alma)	\$1 million	

*IRS information prorated across multiple hospitals

All of the fair share surplus hospitals above gave more proportionally in community investment than the state average, and four of these hospitals gave at four times that rate.

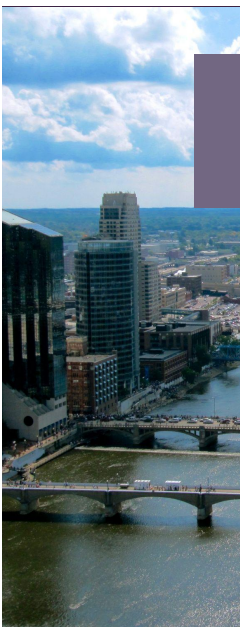
Among the community investments by these hospitals include: workforce development, patient navigation, physician clinics, connecting patients to community-based resources, transportation services, prenatal education, and more.

However, some hospitals provided limited information about their spending on subsidized healthcare services, despite this category comprising a substantial proportion of total spending.

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

The \$605 million annual fair share deficit is enough to:

- **Provide behavioral health services to 105,000 more people** at certified Community Behavioral Health Clinics. The state budgeted \$162 million to create new clinics to serve 35,000 people ([Michigan Department of Health & Human Services](#)). The amount of the fair share deficit could increase that by four times.
- **Feed 862,000 people in Michigan** that face food insecurity every year, including 378,000 children ([Feeding America](#)).
- **Cover about two-thirds of the cost of lead line removal** for the state. In recent years, Michigan has invested \$958 million to replace lead service lines and protect drinking water quality ([Michigan Department of Environment, Great Lakes, and Energy](#)). The amount of the fair share deficit could cover most of this cost.
- **Wipe out medical debt for 500,000 people** in Michigan who owe \$2,000 or less. An estimated 690,000 adults in Michigan owed medical debt each year in 2019-2021 ([Peterson-KFF Health System Tracker](#)).



Henry Ford Health System has the largest system fair share deficit in Michigan.

-\$106 MILLION
FAIR SHARE DEFICIT

Annual Average, 2020-2022
Includes former Ascension hospitals from 2024 joint venture

Michigan's total fair share deficit is enough to **wipe out medical debt for 500,000 people.**

POLICY IMPLICATIONS

Michigan can follow the lead of other states to improve transparency and accountability.

TRANSPARENCY

Currently Michigan does not have additional state reporting requirements for community benefit. Additionally, information on the value of hospital tax-exempt property is unavailable. To improve transparency, the state could:

- Require hospitals to report their **spending on priority health needs** by facility (as identified in their Community Health Needs Assessment)
- Require hospitals to report the **estimated value of their property** and amount avoided in property tax
- Require hospitals to report the **number of patients who applied for, received, or were denied financial assistance**

ACCOUNTABILITY

Michigan [lags behind most states](#) when it comes to medical debt protection. The state does not have **standards for financial assistance eligibility**, requirements for **patient screening for assistance**, or **restrictions on extraordinary collection actions**. This puts patients at higher risk of medical debt. Adopting financial assistance requirements would bring Michigan up to the level of its midwest neighbors Illinois and Minnesota.

Policymakers have [proposed disallowing collection actions](#) for medical debt for any hospital that is not in compliance with price transparency regulations, which would incentivize greater compliance and protect patients from medical debt collections.

ADDRESSING CONSOLIDATION

The Michigan hospital market has become increasingly consolidated in recent years. In this study, fewer than 20% of the nonprofit hospitals included were independent hospitals, and just three systems made up 35% of hospitals. Given the potential for price increases due to hospital monopolies, policymakers should consider **increased state department oversight** over large mergers, as many other states have implemented.



METHODOLOGY

The study analyzed seven types of tax exemptions enjoyed by hospitals in Michigan, 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. Hospitals that are publicly owned and do not file a 990 were not included, such as University of Michigan Medical Center.

In accordance with Michigan Compiled Law, General Property Tax Act 211.7o, tax-exempt property may not be routinely valued by the local township or city assessor given their non-taxable status. Therefore, we imputed hospital real property values using the 20-state median property exemption as a proportion of expenses (0.60%). Equipment costs were pulled from hospital cost reports.

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.