OREGON

Making the hospital tax exemption work for Oregon

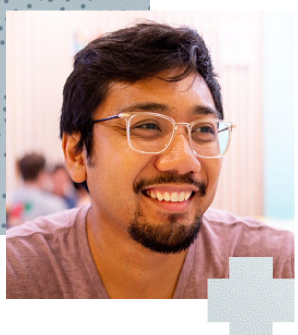
An analysis of nonprofit hospital tax exemptions and community investments

LOWN INSTITUTE

SUMMARY

Oregon nonprofit hospitals receive $301 million in tax benefits each year

The Lown Institute analyzed how much 42 nonprofit hospitals in Oregon 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, **37% of private nonprofit hospitals in Oregon had a "fair share deficit,"** meaning they received more in tax benefits than they spent on meaningful community investments.

→ **Federal income tax** and **local property taxes** were the largest categories of tax exemption for Oregon hospitals.

→ The total fair share deficit for Oregon hospitals was **$80 million each year** – the second lowest fair share deficit among 20 states studied.

→ The total fair share deficit is enough to **feed more than 100,000 people** facing food insecurity, increase state **grant funding for drug and alcohol services by 80%**, or **wipe out half of medical debt in the state**.

$80 MILLION

COULD BE PUT BACK INTO THE COMMUNITY

FOOD

SUBSTANCE USE

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, Oregon hospitals received $301 million in tax breaks each year, an average of $7.2 million per hospital (much lower than the 20-state average of $14.2 million per hospital).

The lack of a state sales tax exemption and relatively small size and incomes of the private nonprofit hospitals in the state may explain their low tax exemption compared to other states. Oregon's largest hospital (OHSU) does not file Form 990 and was not included in this study, which may underestimate the state tax exemption.

INCOME, PROPERTY TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Oregon
Federal income tax	$114 million	38%
Local property tax	$86 million	29%
State income tax	$44 million	15%
Value of tax-exempt bonds	$38 million	13%
Value of tax-exempt donations	$17 million	6%
Federal unemployment tax	$2 million	0.5%
State and local sales tax	$0	0%
Total	**$301 million**	**100%**

**Nonprofit hospitals not exempt from sales taxes in OR*

The federal income tax made up the greatest proportion of the tax exemption, driven by relatively high incomes for some hospitals in 2021. For example, St. Charles Bend and Providence St. Vincent Medical Center reported more than $100 million in net income in 2021.

Property tax made up a significant proportion of the overall tax exemption as well. For example, Salem Health Salem Hospital owns $466 million worth of real estate and Legacy Emanuel Medical Center in Portland owns $453 million, according to county assessment data.

COMMUNITY INVESTMENT RESULTS

From 2020-2022, Oregon hospitals spent $432 million on financial assistance and other community investments each year, an average of $10.3 million per hospital. Oregon is one of just six states in which the average hospital spent more on community investment than it received in tax breaks.

Financial assistance (free and discounted care for eligible patients) made up the largest proportion of total community investment (45%), potentially as a result of Oregon's financial assistance requirements. Subsidized health services were the second-largest contributor, making up 37% of total community investment.

FINANCIAL ASSISTANCE LARGEST CATEGORY OF COMMUNITY INVESTMENT

Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Oregon
Financial assistance	$196 million	45%
Subsidized health care services	$159 million	37%
Community health improvement services	$53 million	12%
Cash and in-kind contributions	$17 million	4%
Community building activities	$7 million	2%
Total	**$432 million**	**100%**

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

FAIR SHARE SPENDING RESULTS

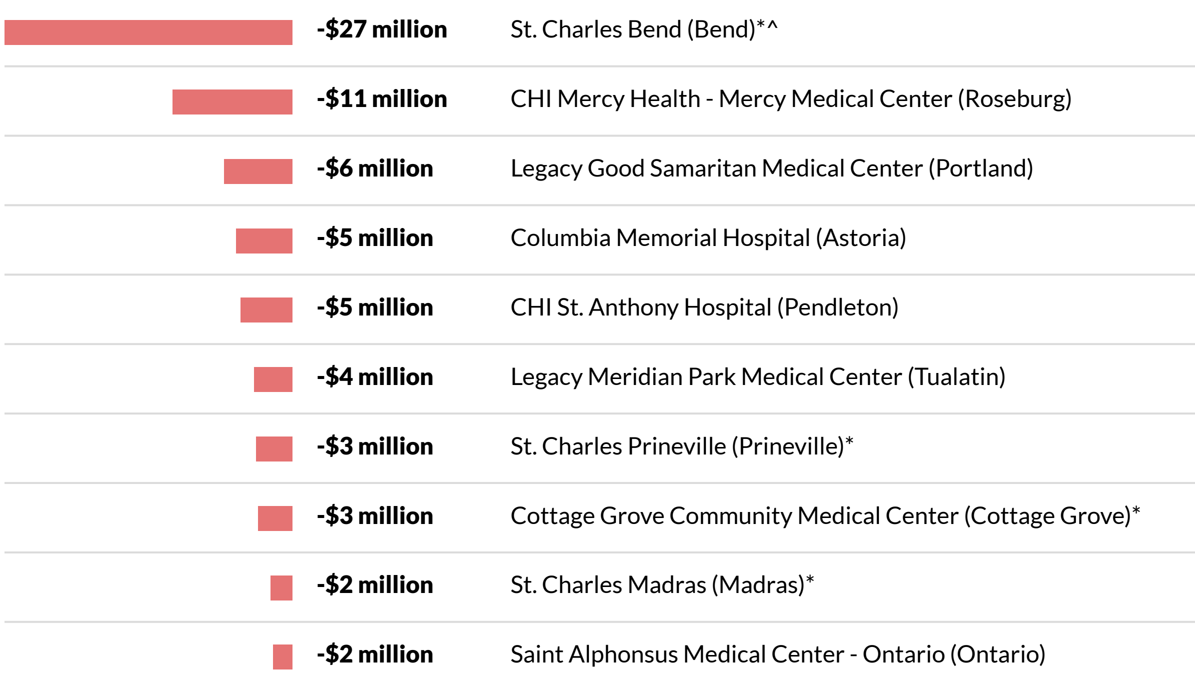
On average, 37% of Oregon hospitals received more in tax breaks than they spent on community investment from 2020-2022. Hospitals with a fair share deficit had a collective deficit of about $80 million each year.

For most of these hospitals, their high fair share deficits are driven by low community investment spending. Nine of these hospitals spent less than the state average on community investment and four of these hospitals spent under 50% of the state average rate. However, half of these hospitals also had particularly high tax exemption rates for the state.

Three of the top-deficit hospitals and two of the top-surplus hospitals are in Portland metro area, which may reflect inequalities between wealthier hospitals and safety nets in the city.

HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN OREGON

Average per year, 2020-2022



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

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN OREGON

Average per year, 2020-2022

Salem Health Salem Hospital (Salem)	**$38 million**
Good Samaritan Regional Medical Center (Corvallis)	**$34 million**
Good Shepherd Medical Center (Hermiston)	**$23 million**
Asante Rogue Regional Medical Center (Medford)*	**$12 million**
Samaritan Albany General Hospital (Albany)	**$12 million**
Asante Three Rivers Medical Center (Grants Pass)*	**$11 million**
Providence Portland Medical Center (Portland)*	**$6 million**
Providence Medford Medical Center (Medford)*	**$6 million**
Samaritan North Lincoln Hospital (Lincoln City)	**$5 million**
Hillsboro Medical Center (Hillsboro)	**$5 million**

**IRS information prorated across multiple hospitals*

Among the high-surplus hospitals above, six gave more proportionally in community investment than the state average, and one of these hospitals gave at more than five times that rate. The total community investment of these ten hospitals made up more than half of the state's total community investment.

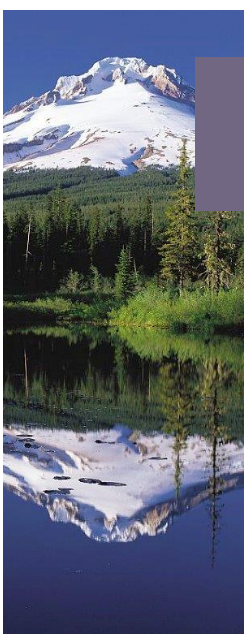
Among the community investments made by these hospitals include free screenings, COVID-19 vaccinations, support groups, diabetes management classes, care coordinators in rural areas, substance use prevention, and more.

However, hospitals provided limited information about their spending on subsidized healthcare services, despite this category comprising a substantial proportion of total spending. A 2022 report from the Oregon Health Authority found that "some hospitals may have inappropriately attributed unreimbursed Medicare costs to subsidized health services" in their state reporting, and issued updated guidance on this in 2022. This category of spending requires more scrutiny in future studies.

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

The $80 million annual fair share deficit is enough to:

- **Increase annual state grant funding for drug and alcohol services by 80%** from Ballot Measure 110. This ballot measure provides $100 million in annual funding for drug and alcohol services under grants administered by the Oregon Health Authority to expand community-based services (Oregon.gov).
- **Feed more than 100,000 people in Oregon** who face food insecurity every year. Nearly 555,000 people in Oregon struggle with food insecurity, a quarter of which are children (Feeding America).
- **Increase Oregon's general fund spending on behavioral health programs by 25%.** From 2021-2023 the state spent $302 million in general funds on behavioral health programs, including mobile response and stabilization, 988 hotline crisis services, peer respite services, community behavioral health clinics, and more (Oregon Legislature).
- **Wipe out nearly 50% of medical debt** in Oregon. An estimated 160,000 adults in Oregon owed medical debt each year in 2019-2021 (Peterson-KFF Health System Tracker).



Salem Health Hospital had the largest fair share surplus in Oregon.

$38 MILLION

ANNUAL FAIR SHARE SURPLUS FOR SALEM HOSPITAL

POLICY IMPLICATIONS

Oregon is a leader in state policies around community benefit; here's how other states can follow their example.

BUILDING ON REPORTING REQUIREMENTS

Oregon already has a robust system of community benefit reporting, including a requirement for hospitals, a public dashboard of results, and annual reports with trends. The state recently began highlighting examples of hospitals that are improving community health outcomes through their CB programs. Additionally, new reporting rules went into effect in 2025 requiring hospitals to report the number of financial assistance applications, approvals, denials, and collections.

In a recent presentation, the Oregon Health Authority recommended that hospitals **show an explicit link between community health needs identified in the CHNA and program spending**, and that hospitals include the number of patients served and the health outcomes of these programs. The state might consider **making these required elements for reporting**, depending on how many hospitals initially follow these recommendations.

MEDICAL DEBT PROTECTIONS

Oregon has taken several steps to protect residents from medical debt including **financial assistance requirements, patient screening requirements**, and a **minimum threshold** for community benefit spending.

Although these requirements are somewhat recent, early evidence suggests that they resulted in **greater hospital spending on financial assistance**. Our analysis also finds that the state minimum spending threshold in 2022 was above or equivalent to the tax exemption value for almost all hospitals studied, which may explain the state's low fair share deficit.

Oregon can build on these policies by adopting additional medical debt protections, such as **limits on collection actions** (policymakers have proposed prohibiting medical debt reporting to consumer reporting agencies).

Continued research from the state and others would help demonstrate the impact of Oregon's legislation and identify best practices for states looking to implement similar policies.

METHODOLOGY

The study analyzed six types of tax exemptions enjoyed by hospitals in Oregon, 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.

Public hospitals such as Oregon Health & Science University Hospital that do not file 990s were excluded, which may underestimate the total state tax exemption and community investment spending.

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.