

TENNESSEE

Making the hospital tax exemption work for Tennessee

An analysis of nonprofit hospital tax
exemptions and community investments



LOWN
INSTITUTE



SUMMARY

Tennessee nonprofit hospitals receive \$415 million in tax benefits each year

The Lown Institute analyzed how much 46 nonprofit hospitals in Tennessee 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, **29% of private nonprofit hospitals in Tennessee 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 Tennessee hospitals was **\$53 million each year.** That’s enough to feed 70,000 people in Tennessee facing food insecurity, hire hundreds more nurses, or wipe out medical debt for more than 80,000 people.
- 75% of Tennessee hospitals’ community investment spending went towards financial assistance, resulting in **some of the lowest rates of spending on upstream health needs** across the 20 states studied.

\$53 MILLION

COULD BE PUT
BACK INTO THE
COMMUNITY



FOOD



HIRE NURSES



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.

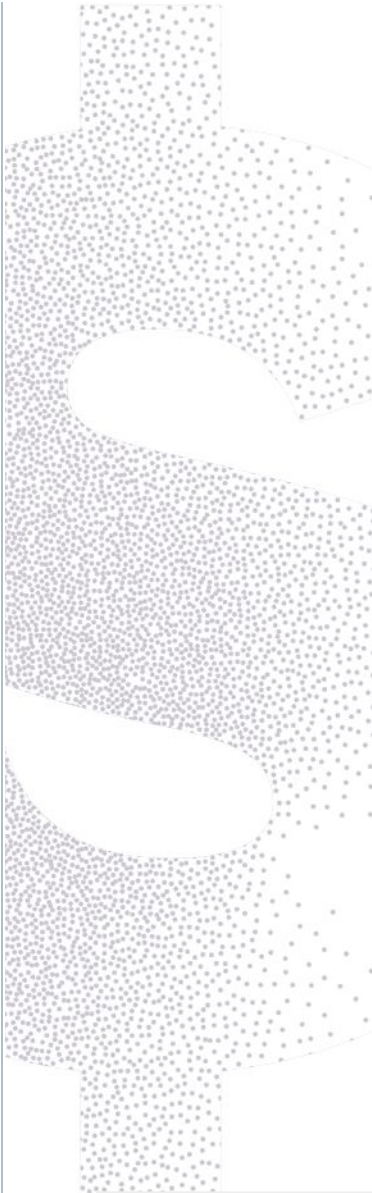
TAX EXEMPTION VALUE RESULTS

From 2020-2022, Tennessee hospitals received \$415 million in tax breaks, an average of \$9.3 million per hospital (lower than the 20-state average of \$14.2 million).

Sales tax made up the largest proportion of the total exemption (41%). This proportion was far greater than the national average (19%) due to high sales tax rates in Tennessee and high spending on medical supplies (\$42 million per hospital on average in 2021).

SALES, PROPERTY TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Tennessee
State and local sales tax	\$171 million	41%
Local property tax	\$106 million	26%
Federal income tax	\$68 million	16%
Value of tax-exempt donations	\$30 million	7%
State income tax	\$22 million	5%
Value of tax-exempt bonds	\$15 million	4%
Federal unemployment tax	\$3 million	1%
Total	\$415 million	100%



Property tax was also significant, largely driven by the value of property owned by nonprofit hospitals in major metro areas. For example, hospitals own \$626 million worth of real estate in Nashville and \$301 million in Memphis, according to county assessment data.

Hospitals in Tennessee had lower incomes than in most other states, resulting in lower income tax benefits. The exception was Vanderbilt Medical Center, which reported about \$200 million in average annual income, from 2020-2022.






COMMUNITY INVESTMENT RESULTS

From 2020-2022, nonprofit hospitals in the state spent \$706 million on financial assistance and other community investments each year, an average of \$15.8 million per hospital.

Financial assistance (free and discounted care for eligible patients) made up the largest proportion of total community investment (75%), primarily attributable to the state’s non-expansion status.

While Tennessee hospitals may be spending more on financial assistance to preserve access to care for uninsured patients, this leaves little left to invest in programs to improve community health upstream.

Relatively little hospital spending went to community health improvement services or community building activities. Tennessee reported the **lowest rate of spending on community health improvement activities** across all 20 states studied.

FINANCIAL ASSISTANCE LARGEST CATEGORY OF COMMUNITY INVESTMENT		
Community investment category	Total spending (per year average, 2020-2022)	% of total community investment, Tennessee
Financial assistance	\$526 million	75% 
Subsidized health care services	\$133 million	19% 
Community health improvement services	\$26 million	4% 
Cash and in-kind contributions	\$15 million	2% 
Community building activities	\$5 million	1% 
Total	\$706 million	100%

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

FAIR SHARE SPENDING RESULTS





On average, 29% 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 \$53 million each year.

The wealth and size of some Tennessee hospitals drive their large fair share deficits. 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.

Despite the high need for financial assistance in the state, Tennessee hospitals varied in their financial assistance spending. Four hospitals spent less than 1% of expenses on financial assistance, while five hospitals spent 6% or more.

HOSPITALS WITH FAIR SHARE DEFICITS OVER \$1 MILLION IN TENNESSEE











Average per year, 2020-2022

	-\$25 million	Vanderbilt University Medical Center (Nashville)*
	-\$9 million	Saint Thomas Hospital for Specialty Surgery (Nashville)
	-\$4 million	Bristol Regional Medical Center (Bristol)*
	-\$3 million	Franklin Woods Community Hospital (Johnson City)*
	-\$2 million	Indian Path Community Hospital (Kingsport)*
	-\$1 million	Unity Medical Center (Manchester)
	-\$1 million	Ascension Saint Thomas Rutherford (Murfreesboro)

*IRS information prorated across multiple hospitals

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN TENNESSEE

Average per year, 2020-2022

Baptist Memorial Hospital - Memphis (Memphis)^	\$74 million	
Methodist University Hospital (Memphis)^	\$63 million	
Regional Medical Center (Memphis)	\$40 million	
Fort Sanders Regional Medical Center (Knoxville)^	\$36 million	
The University of Tennessee Medical Center (Knoxville)	\$31 million	
Methodist Medical Center (Oak Ridge)	\$14 million	
Parkwest Medical Center (Knoxville)^	\$13 million	
Johnson City Medical Center (Johnson City)*^	\$9 million	
Vanderbilt Wilson County Hospital (Lebanon)*	\$7 million	
Le Conte Medical Center (Sevierville)	\$7 million	

*IRS information prorated across multiple hospitals

^Includes more than one hospital campus within same CMS ID

Eight of these high-surplus hospitals above gave more proportionally in community investment than the state average, and two of these hospitals gave at twice that rate. The total community investment of these ten hospitals made up more than 60% of the state's total community investment.

Among the community investments by these hospitals include flu and COVID-19 vaccination clinics, educational seminars (e.g., stroke prevention and care, pediatric asthma training), mobile mammography units, community grants, health fairs, social skill development groups, blood drives, and more.

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

The \$53 million annual fair share deficit is enough to:

- **Feed 70,000 people in Tennessee facing food insecurity.** Nearly 1 million people in Tennessee face food insecurity every year, including 274,000 children ([Feeding America](#)).
- **Hire more than 600 additional registered nurses or 1,700 more home health aides.** The average annual salary for registered nurses in Tennessee was \$78,000 in 2023 and was \$30,000 for home health aides ([Bureau of Labor Statistics](#)).
- **Wipe out medical debt for 81,900 people in Tennessee who owe \$250 or less.** An estimated 630,000 adults in Tennessee owed medical debt each year in 2019–2021 ([Peterson-KFF Health System Tracker](#)).
- **Purchase 2 million doses of naloxone to prevent death from opioid overdoses.** Fentanyl-related deaths in Tennessee increased by 446% from 2017–2021 ([TN Department of Health](#)).



Baptist Memorial Hospital had the largest fair share surplus in Tennessee.

**\$74
MILLION**

ANNUAL FAIR SHARE
SPENDING, 2020-2022

**\$93
MILLION**

ANNUAL COMMUNITY
INVESTMENT, 2020-2022

POLICY IMPLICATIONS

Tennessee can follow the lead of other states to reduce medical debt.

IMPROVING COVERAGE

To reduce medical debt, fill in fair share gaps, and increase upstream community investments, Tennessee could [follow the lead of North Carolina](#) and **adopt Medicaid expansion alongside medical debt protections** and community benefit spending thresholds for hospitals.

For hospitals with high community investments, this would reduce uncompensated care costs—potentially allowing for more spending on community health programs—while still maintaining a certain threshold of financial assistance. For hospitals with low community investments, this would raise the bar for them to spend at the rate of other hospitals and do their fair share in reducing medical debt.

INCREASING TRANSPARENCY

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.

BETTER ACCESS TO FINANCIAL ASSISTANCE

To improve accessibility for financial assistance, state policymakers could:

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

OTHER MEDICAL DEBT PROTECTIONS

State policymakers are [considering](#) medical debt protections such as prohibiting the reporting of medical debt to [consumer reporting agencies](#) and ensuring that hospitals accepting public funds for uncompensated care are [writing off commensurate amounts of medical debt](#). Both of these would help reduce the burden of medical debt for Tennessee families.



METHODOLOGY

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

Policy contact: 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.