

WISCONSIN

Making the hospital tax exemption work for Wisconsin

An analysis of nonprofit hospital tax
exemptions and community investments



LOWN
INSTITUTE



SUMMARY

Wisconsin nonprofit hospitals receive \$847 million in tax benefits each year

The Lown Institute analyzed how much 123 nonprofit hospitals in Wisconsin 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

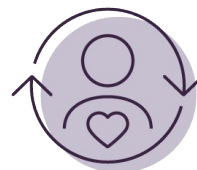
- From 2020-2022, **61% of private nonprofit hospitals in Wisconsin had a “fair share deficit,”** meaning they received more in tax benefits than they spent on meaningful community investments.
- The total fair share deficit for Wisconsin hospitals was **\$493 million each year.** That’s enough to cover the majority of **rural hospital losses**, nearly double the governor’s proposed budget for **mental health service** expansions, or **wipe out medical debt** for 280,000 people.
- Some of the highest deficit hospitals also **filed hundreds of lawsuits and liens** against patients for medical debt during the COVID-19 pandemic.
- Fair share spending in Wisconsin highlights a **rural-urban divide**, in which hospitals in large cities perform better financially but give back proportionally less to communities.

\$493 MILLION

COULD BE PUT
BACK INTO THE
COMMUNITY



RURAL HOSPITAL
SUPPORT



MENTAL 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 regulations 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, Wisconsin hospitals received \$847 million in tax breaks each year, an average of \$7.3 million per hospital (less than the 20–state average of \$14.2 million).

High incomes for some hospitals drove large federal and state income tax breaks, with four hospitals reporting at least \$100 million in net income per year on average.

FEDERAL, STATE INCOME TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

Tax exemption category	Total amount (per year average, 2020-2022)	% of total tax exemption, Wisconsin
Federal income tax	\$390 million	46%
State income tax	\$159 million	19%
Local property tax	\$114 million	13%
State and local sales tax	\$91 million	11%
Value of tax-exempt bonds	\$51 million	6%
Value of tax-exempt donations	\$39 million	5%
Federal unemployment tax	\$3 million	0.4%
Total	\$847 million	100%

COMMUNITY INVESTMENT RESULTS

From 2020–2022, Wisconsin hospitals spent \$457 million on financial assistance and other community investments each year, an average of \$3.9 million per hospital.

Overall, hospitals spent 3.4% of expenses on community investment, but rates varied widely from 0.01% to 29.8%. Thirty-three hospitals spent less than 1% of expenses.

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 (44%). Financial assistance (free and discounted care) was also a significant contributor, making up 34% of total community investment.

Wisconsin hospitals spend slightly more proportionally on community health improvement and community building than other states on average, a positive sign that they are interested in addressing upstream 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, Wisconsin
Subsidized health care services	\$202 million	44%
Financial assistance	\$156 million	34%
Community health improvement services	\$61 million	13%
Cash and in-kind contributions	\$24 million	5%
Community building activities	\$14 million	3%
Total	\$457 million	100%

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

FAIR SHARE SPENDING RESULTS

On average, 61% 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 \$493 million each year.











For most of these high-deficit hospitals, their deficits are driven by their wealth and size. However, low community investment spending also plays a role. Seven of the ten hospitals with the largest deficits spent less than 1% of expenses on community investment.

Hospitals in larger cities and hospitals in the Froedtert and Aurora health systems stand out for their high deficits. In contrast, hospitals in less populated areas appear to have lower tax exemptions and greater community investments, potentially because of lower profit margins and a greater need for free care in rural areas.

Froedtert Health, SSM, and Gunderson Health all **filed liens against patients for medical debt in 2020**, according to [Wisconsin Watch](#). These hospitals still allow legal actions according to their collections policies, while Aurora Health System does not.

HOSPITALS WITH THE LARGEST FAIR SHARE DEFICITS IN WISCONSIN











Average per year, 2020-2022

	-\$75 million	Froedtert Community Hospital - New Berlin (New Berlin)^
	-\$44 million	Froedtert Hospital (Milwaukee)
	-\$37 million	Aurora St. Luke’s Medical Center (Milwaukee)*^
	-\$28 million	Aurora BayCare Medical Center (Green Bay)*
	-\$21 million	SSM Health St. Mary’s Hospital - Madison (Madison)*
	-\$21 million	Froedtert West Bend Hospital (West Bend)
	-\$17 million	Gundersen Lutheran Medical Center (La Crosse)
	-\$16 million	Aurora Medical Center Kenosha (Kenosha)*^
	-\$15 million	Mercyhealth Hospital and Trauma Center - Janesville (Janesville)*
	-\$15 million	Aspirus Wausau Hospital (Wausau)

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

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN WISCONSIN

Average per year, 2020-2022

Mile Bluff Medical Center Inc. (Mauston)	\$9 million	
St. Croix Regional Medical Center (Saint Croix Falls)	\$7 million	
Western Wisconsin Health (Baldwin)	\$7 million	
Black River Memorial Hospital (Black River Falls)	\$7 million	
Edgerton Hospital & Health Services (Edgerton)	\$6 million	
Ascension St. Francis Hospital (Milwaukee)	\$5 million	
Aspirus Divine Savior Hospital (Portage)	\$3 million	
Gundersen St. Joseph's Hospital (Hillsboro)	\$3 million	
Prairie Ridge Health (Columbus)	\$3 million	
Gundersen Moundview Hospital (Friendship)	\$3 million	

All of the highest-surplus hospitals above gave more proportionally in community investment than the state average, and 7 hospitals gave at more than three times that rate. The total community investment of these ten hospitals made up 16% of the state’s total community investment.

Among the community investments made by these hospitals include free diabetes screening, medication management, mental health first aid training, rural health clinics, school-based mental health services, outpatient substance use treatment, and more.

However, some hospitals provided limited information about their spending on subsidized health care services, despite this category comprising a substantial proportion of total spending. Hospitals are instructed to only report spending on health services that serve an identified community need; however, some hospitals appear to be reporting losses on standard hospital services like inpatient units and emergency departments.

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

The \$493 million annual fair share deficit is enough to:

- Feed all 618,000 people who are hungry in Wisconsin, including 204,750 children ([Feeding America](#)).
- Nearly double the governor's proposed budget for mental health for 2023-25. Mental health and substance use are key health concerns in the state, with an estimated 450,000 Wisconsinites having a substance use disorder and more than 40% of high school students experiencing symptoms of depression ([WI Department of Health Services](#); [Office of the Governor](#)).
- Wipe out medical debt for more than 280,000 people who owe \$2,000 or less. An estimated 390,000 people in Wisconsin owed over \$250 in medical debt from 2019-2021 ([Peterson-KFF Health System Tracker](#)).
- Cover more than 60% of rural hospital losses. Fifteen rural hospitals in Wisconsin had negative net income in 2023, totalling \$785 million in losses, according to hospital cost reports.



Some Wisconsin hospitals with large fair share deficits also sued patients for medical debt.

\$15.4 MILLION

Amount **Froedtert Hospital** pursued in lawsuits to collect medical debt, 2018-2020

The amount of the fair share deficit is enough to cover the **majority of rural hospital losses** in Wisconsin.



POLICY IMPLICATIONS

How Wisconsin can improve data transparency, challenge collections activities, and support rural hospitals.

TRANSPARENCY

Wisconsin does not require tax-exempt property to be assessed, making it very difficult to calculate the value of nonprofit hospital properties. We reached out to municipalities to receive estimates, but these were only available for 51 hospitals in our data set. **Making this information more widely available** would help local government better understand the value of hospital property.

Given the low level of detail in the IRS Form 990, it is difficult to know how much hospitals are spending specifically on programs to address the health needs identified in their Community Health Needs Assessment (CHNA). Additionally, many Wisconsin hospitals file in a group, so spending must be estimated among hospitals. Policymakers should consider **additional state reporting requirements** to clarify spending by facility and better link hospital community investments to the CHNA.

Despite considerable [media attention](#) around hospitals taking legal action against patients for medical debt, some hospitals continue to allow these actions in their [collections policies](#). The state should require hospitals to **report how often they conduct extraordinary collections actions (ECAs)** such as lawsuits and which patients are impacted.

ACCOUNTABILITY

Wisconsin currently ranks “low” on [Community Catalyst’s assessment](#) of state medical debt protections, due to their lack of financial assistance regulations, collections actions, and hospital prices.

Wisconsin could close their fair share gaps with regulations around hospital provision of financial assistance such as a **universal financial assistance application or patient screening**, to ensure that all eligible patients receive assistance rather than getting sent to collections.

MAKING THE SYSTEM EQUITABLE

Fair share spending in Wisconsin highlights a rural-urban divide, in which hospitals in larger cities perform better financially but give back proportionally less to communities, while rural hospitals operate on thin or negative margins.

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 rural safety net hospitals.

METHODOLOGY

The study analyzed seven types of tax exemptions enjoyed by hospitals in Wisconsin, 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. Fifteen hospitals in the Advocate Aurora System that file taxes under EIN 611649250 did not have an available Form 990 in 2021; their fair share spending is based on 2020 and 2022.

Tax-exempt hospital property was generally unavailable in local assessment portals. Property tax estimates were derived from Forms PC-220(A) when available (51 hospitals) or imputed using the national median rate.

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 financial assistance.



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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.