

ILLINOIS

Making the hospital tax exemption work for Illinois

An analysis of nonprofit hospital tax
exemptions and community investments



SUMMARY

Illinois nonprofit hospitals receive \$2.3 billion in tax benefits each year

The Lown Institute analyzed how much 140 nonprofit hospitals in Illinois 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, **63% of private nonprofit hospitals in Illinois 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 Illinois hospitals was **\$1.3 billion each year.** That’s enough to feed all people in Illinois facing food insecurity, double state spending on homeowners assistance for low-income families, or wipe out medical debt for more than 690,000 people.
- Some of the **largest fair share deficit and surplus hospitals in the state are in Chicago,** reflecting that there are “have and have nots” in the Illinois hospital market.

\$1.3 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 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, Illinois hospitals received \$2.3 billion in tax breaks each year, an average of \$16.5 million per hospital (greater than the 20–state average of \$14.2 million). High incomes for some hospitals, particularly in 2021, drove large federal income tax breaks. For example, Evanston Hospital reported \$1.3 billion in net income in 2021 and five other hospitals had net income above \$200 million that year.

INCOME, PROPERTY TAX LARGEST CATEGORIES OF HOSPITAL TAX EXEMPTION

| Tax exemption category | Total amount (per year average, 2020-2022) | % of total tax exemption, Illinois | |
|-------------------------------|--------------------------------------------|------------------------------------|----------------------------------|
| Federal income tax | \$819 million | 36% | <div style="width: 36%;"></div> |
| Local property tax | \$448 million | 20% | <div style="width: 20%;"></div> |
| State and local sales tax | \$402 million | 18% | <div style="width: 18%;"></div> |
| State income tax | \$332 million | 15% | <div style="width: 15%;"></div> |
| Value of tax-exempt donations | \$135 million | 6% | <div style="width: 6%;"></div> |
| Value of tax-exempt bonds | \$126 million | 6% | <div style="width: 6%;"></div> |
| Federal unemployment tax | \$7 million | 0.3% | <div style="width: 0.3%;"></div> |
| Total | \$2.3 billion | 100% | |

Property tax made up a significant proportion of the overall tax exemption as well. RUSH University Medical Center owns \$406 million worth of real estate and Advocate Christ Medical Center owns \$404 million, according to county assessment data.

COMMUNITY INVESTMENT RESULTS

From 2020–2022, Illinois hospitals spent \$1.4 billion on financial assistance and other community investments each year, an average of \$10.3 million per hospital.

Financial assistance (free and discounted care for eligible patients) made up the largest proportion of total community investment (44%), possibly due to Illinois' financial assistance requirements.¹ Subsidized health services (clinical services that meet an identified community need, provided at a loss to the hospital) were the second-largest contributor, making up 40% of total community investment.

Despite increased emphasis on social drivers of health in recent years, relatively little hospital spending went to community health improvement or community building activities (categories of spending that encompass social supports). Illinois spent less proportionally on these categories than other states studied.

FINANCIAL ASSISTANCE LARGEST CATEGORY OF COMMUNITY INVESTMENT

| Community investment category | Total spending (per year average, 2020-2022) | % of total community investment, Illinois |
|---------------------------------------|----------------------------------------------|-------------------------------------------|
| Financial assistance | \$617 million | 44% |
| Subsidized health care services | \$564 million | 40% |
| Community health improvement services | \$124 million | 9% |
| Cash and in-kind contributions | \$94 million | 7% |
| Community building activities | \$18 million | 1% |
| Total | \$1.4 billion | 100% |

1. Non-rural hospitals must write off all charges over \$150 for uninsured patients with family incomes under 100% FPL.

“Fair share spending” is the difference between what hospitals receive in tax breaks and what they give back in community investment.

FAIR SHARE SPENDING RESULTS










On average, 63% 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 \$1.3 billion 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. Nine of these hospitals spent less than the state average on community investment and four hospitals spent under 50% of the state average rate.

Two of the largest-deficit hospitals and four of the largest-surplus hospitals are in Cook County. 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 ILLINOIS

Average per year, 2020-2022

| | | |
|-------------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------|
|  | -\$152 million | Evanston Hospital (Evanston)^ |
|  | -\$130 million | Carle Health Methodist Hospital (Peoria) |
|  | -\$71 million | Advocate Christ Medical Center (Oak Lawn)* |
|  | -\$68 million | Advocate Lutheran General Hospital (Park Ridge)* |
|  | -\$62 million | OSF Little Company of Mary Medical Center (Evergreen Park)* |
|  | -\$58 million | OSF Saint Francis Medical Center (Peoria)* |
|  | -\$50 million | Northwestern Memorial Hospital (Chicago)* |
|  | -\$41 million | Northwestern Medicine Central DuPage Hospital (Winfield)* |
|  | -\$37 million | Carle Foundation Hospital (Urbana) |
|  | -\$35 million | Advocate Illinois Masonic Medical Center (Chicago) |











*IRS information prorated across multiple hospitals

^Includes more than one hospital campus within same CMS ID

It's important to acknowledge that the Form 990 may not capture all of the benefits a community might enjoy from a hospital's presence. For example, RUSH University Medical Center's [local hiring and sourcing initiatives](#) improve community economic development, but do not fall under the IRS' community benefit definition.

HOSPITALS WITH THE LARGEST FAIR SHARE SURPLUSES IN ILLINOIS

Average per year, 2020-2022

| | | |
|----------------------------------------------------|---------------------|---------------------------------------------------------------------------------------|
| Mount Sinai Hospital (Chicago) | \$78 million |  |
| Decatur Memorial Hospital (Decatur)* | \$28 million |  |
| Riverside Medical Center (Kankakee)^ | \$23 million |  |
| Swedish American Hospital (Rockford)^ | \$19 million |  |
| Franciscan Health Olympia Fields (Olympia Fields)* | \$16 million |  |
| Springfield Memorial Hospital (Springfield)* | \$13 million |  |
| St. Bernard Hospital (Chicago) | \$12 million |  |
| Holy Cross Hospital (Chicago) | \$11 million |  |
| Swedish Hospital (Chicago) | \$11 million |  |
| Memorial Hospital Belleville (Belleville)*^ | \$11 million |  |

*IRS information prorated across multiple hospitals

^Includes more than one hospital campus within same CMS ID

All but one of the high-surplus hospitals above gave more proportionally in community investment than the state average, and two of these hospitals gave at three times that rate. The total community investment of these ten hospitals made up nearly one quarter of the state's total community investment.

Among the community investments by these hospitals include COVID-19 vaccine distribution and outreach efforts, transportation services, psychiatric response team, community youth program grants, free meal kits on discharge, free glucose and blood pressure screenings, and funding for affordable housing.

However, hospitals provided limited information about their spending on subsidized healthcare 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 physician specialty clinics and emergency departments.

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

The \$1.3 billion annual fair share deficit is enough to:

- Nearly double the Illinois Housing Development Association's \$1.35 billion per year investment on home loans and down payment assistance for 15,218 families, **helping thousands more families achieve homeownership** ([Illinois Housing Development Authority](#)).
- **Feed 1.5 million people in Illinois** that face food insecurity every year, including 427,000 children ([Feeding America](#)).
- **Hire nearly 20,000 additional mental health and substance abuse counselors or 22,000 more social workers.** The average annual salary for mental health and substance abuse counselors in Illinois was \$63,000 and for mental health and substance abuse social workers, \$57,000, in 2023 ([Bureau of Labor Statistics](#)).
- **Wipe out medical debt for 690,000 people in Illinois** who owe \$2,000 or less. An estimated 960,000 adults in Illinois owed medical debt each year in 2019-2021 ([Peterson-KFF Health System Tracker](#)).

Illinois' largest fair share deficit and surplus hospitals are both located in Cook County.

**-\$152
MILLION
DEFICIT**

EVANSTON HOSPITAL

**\$78
MILLION
SURPLUS**

MOUNT SINAI HOSPITAL

Property tax values were only available for 40% of hospitals.

POLICY IMPLICATIONS

Illinois is a leader in passing state policies around community benefits; however, there are still holes in implementation and reporting.

TRANSPARENCY

Illinois is one of several states with a community benefit reporting requirement. The state's requirements go beyond many others, [requiring hospitals](#) to describe activities that address health equity, reduce health disparities, and improve community health. This helps fill in the gaps that exist in the Form 990, which do not always provide details on spending for specific community benefit programs.

However, we were unable to find these reports in a central location on the state Attorney General's website, nor were these always available on hospital websites. **Compiling these reports** would allow state advocates to more easily compare hospital spending on specific categories.

Illinois also has a requirement for hospitals to spend as much on uncompensated care as their foregone property taxes. However, we were only able to find information on the property tax value for 40% of hospitals, and the information was not centrally located. Efforts should be taken to **make sure hospitals are submitting the required forms** and that the information is publicly available.

ACCOUNTABILITY

Illinois has taken several steps to protect residents from medical debt including financial assistance requirements and new patient screening requirements. State officials should be aware of [implementation challenges other states have faced](#) in their patient screening programs, and invest sufficient resources into helping hospitals make administrative changes.

Illinois could go further to encourage meaningful community investment with [changes proposed by policymakers](#), such as adjusting the minimum spending requirement to **prioritize spending on charity care and community health programs**, specifying **sliding scale discounts** that hospitals must provide, and ensuring that [all care provided at a hospital site](#) be included in financial assistance.

MAKING THE SYSTEM EQUITABLE

Fair share spending in Illinois highlights the problem of “have and have nots” within the hospital system, as some of the largest fair share deficit and surplus hospitals are in the same areas.

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 safety net hospitals.



METHODOLOGY

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

Local assessment portals do not have data for tax-exempt parcels. Property tax estimates were derived from Forms PTAX-300-H(A) when available (56 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 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.