

## The Issue

Hospitals and health systems across the country provide 24/7 health care to patients and communities daily. In addition to access to life-saving care, communities receive benefits and services unique to their location. Nonprofit hospitals are exempt from federal and some state and local taxes. Therefore, in addition to providing that 24/7 care, they must meet the Internal Revenue Service (IRS) Community Benefit Standard and publicly and extensively report the range of benefits and services they provide to their communities. And in fact, nonprofit hospitals offer benefits above and beyond the value of their tax exemption, in part because of the immense value the services, such as education, health screenings and prevention activities, provide to the communities they serve.

The mission of all community hospitals and health systems, regardless of size and type of ownership, is to care for their patients and communities. Tax-exempt status helps nonprofit hospitals with tight finances to continue providing access to care. In addition, nonprofit hospitals have access to tax-exempt bond financing, a key benefit that makes access to vital hospital services available to communities across America. If nonprofit hospital access to tax-exempt status or financing is limited or eliminated entirely, the result could be devastating for both patients and their communities.

## AHA Position

- Protect and maintain nonprofit hospitals' tax-exempt status and tax-exempt bond financing, including qualified 501(c)(3) private-activity bonds, which are necessary for the continued financial health of hospitals and access to care for the communities they serve.
- Oppose efforts to impose arbitrary minimum charity care levels on nonprofit hospitals to maintain their tax-exempt status.
- Oppose initiatives to require additional one-size-fits-all reporting requirements on the already comprehensive IRS Schedule H form.
- Oppose efforts to eliminate the deduction for charitable contributions to health organizations.

## Why?

- **America's communities receive a positive return on their investment from the tax exemption of nonprofit hospitals.** The IRS requires extensive reporting by nonprofit hospitals of benefits provided to communities in a form called the IRS 990 Schedule H. An [AHA analysis](#) shows that the value of total benefits to the community averaged 15.1% of the hospitals' total expenses. Direct benefits to patients, which include free care, financial assistance and spending to fill gaps in Medicaid underpayments, averaged nearly 7% of expenses. Overall, the benefit tax-exempt hospitals provided to their communities, as reported on Form 990 Schedule H, is estimated to be \$149 billion, a figure that in previous analyses was shown to be 10 times greater than the value of their federal tax exemption.

- **Nonprofit hospitals and health systems recognize that their tax-exempt status comes with the responsibility to deliver on their mission to care for the communities they serve.** This includes improving community health by addressing key needs like housing and transportation, conducting medical research and educating health care providers, and subsidizing high-cost and often negative-margin essential services, such as wound care and behavioral health. The programs improve community health in the long term, which is why it's critical to focus not only on financial assistance but also on other categories of community benefit and the broader efforts to enhance public health outcomes.
- **Hospitals play a key role in the nation's emergency preparedness and response as part of America's health care infrastructure.** In times of disaster, communities look to hospitals not only to mobilize resources to care for the ill and injured but also to provide food and shelter and coordinate relief and recovery efforts. As part of this role, hospitals are pivotal to disaster response activities, whether rural, critical access hospitals or Level 1 trauma centers.
- **Hospitals are community mainstays.** Every year, hospitals provide vital health care services to hundreds of millions of people in thousands of communities. However, the importance of hospitals to their communities extends far beyond health care. Hospitals directly employed over 6.6 million people in 2023 and supported 25.9 million total jobs across the economy. The over \$1.3 trillion in goods and services hospitals purchased in 2023 from other businesses created additional economic value for their communities.
- **Tax-exempt financing helps lower health care costs for patients.** Tax-exempt bonds reduce hospitals' borrowing costs because they normally can be sold at a lower interest rate than taxable debt of comparable risk and maturity. Nonprofit hospital borrowers save, on average, an estimated 2 percentage points on their borrowing compared to taxable bonds or bank financing. Lower borrowing costs translate into lower health care costs for patients. The lower cost of tax-exempt financing also makes possible necessary upgrades and modernizations that would not be possible for hospitals with weaker balance sheets. Further, more costly alternatives, such as taxable bonds and bank loans, are out of reach for many community hospitals.