

Myth vs. Fact: Nonprofit Hospitals’ Tax-Exempt Status

Myth	Fact
<div></div> <div>Hospitals do not provide adequate levels of community benefit to justify their tax exemption.</div>	<p>Nonprofit hospitals and health systems provide benefits above and beyond 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. Nonprofit hospitals and health systems provided \$149 billion in total community benefit, which in previous analyses was shown to deliver approximately \$10 in benefits for every dollar of federal tax exemption.</p>
<div></div> <div>Providing charity care is the best way to measure the benefits nonprofit hospitals provide.</div>	<p>The IRS recognizes that a nonprofit hospital’s financial assistance program for low-income patients, or charity care program, is only one of its many benefits to the community. Hospitals and health systems benefit patients and their communities by absorbing below-cost government reimbursement rates and offering locally tailored programs to make lives healthier — all reported on the IRS Schedule H filing.</p>
<div></div> <div>Nonprofit health care should mean operating on breakeven — or even negative — margins.</div>	<p>Nonprofit hospitals need a margin to meet their mission of caring for their community. Nonprofit hospitals also need positive margins to invest in facilities, cutting-edge technology and the skilled professionals necessary to provide the quality, advanced care patients expect and deserve. Tax-exempt status allows hospitals to continue providing access to high-quality care.</p>
<div></div> <div>CEO salaries are disproportionately high relative to comparably sized organizations.</div>	<p>CEOs and executives of hospitals and health systems are recruited from a limited pool of national talent and command salaries commensurate with the experience and effort needed to oversee complex and technically specialized 24/7 organizations. Leaders typically spend 25 years or more in various health care management positions before becoming CEO. Further, nonprofit hospitals and health systems observe a rigorous process facilitated by an independent panel drawn from the board of trustees for setting executive compensation.</p>
<div></div> <div>Hospitals should standardize their financial assistance policies to ensure as many people as possible are eligible for the benefit.</div>	<p>Hospitals and health systems are united in treating all people with dignity, respect and compassion. However, a one-size-fits-all approach to financial assistance policies is short-sighted and ignores the unique community needs across our country. The amount of financial assistance a hospital offers is contingent on many factors, such as patient needs, care expenses and hospital payer mix. In addition, a hospital’s financial assistance or charity care is only one aspect of the benefits it provides to the community.</p>