

**Statement  
of the  
American Hospital Association  
for the  
Committee on Ways and Means  
Subcommittee on Oversight  
of the  
U.S. House of Representatives**

**“Virtue Signaling vs. Vital Services: Where Tax-Exempt Hospitals are Spending Your Tax Dollars”**

**September 16, 2025**

On behalf of our nearly 5,000 member hospitals, health systems and other health care organizations, our clinician partners — including more than 270,000 affiliated physicians, 2 million nurses and other caregivers — and the 43,000 health care leaders who belong to our professional membership groups, the American Hospital Association (AHA) appreciates the opportunity to provide feedback on tax-exempt hospitals and the community benefit standard.

**BENEFITS EXCEED THE VALUE OF HOSPITALS’ FEDERAL TAX EXEMPTION**

Nonprofit hospitals and health systems across the nation provide valuable and vital services to the patients and communities they serve. Those include not only a broad range of clinical services from urgent to highly specialized care delivered in inpatient and outpatient settings, but also many programs and services delivered in the community that advance health and wellness. For example, hospitals and health systems provide financial assistance to help those who cannot afford their care; subsidies for expensive services that would otherwise be unavailable, such as burn or neonatal units; patient transportation; training for the next generation of caregivers; and vital research to aid in the treatment of complex diseases, such as cancer. In summary,



hospitals do more than any other sector of health care to promote and protect the health of their communities.

Tax-exempt hospitals report the amounts they spend on community benefits yearly and conduct a community needs assessment at least every three years. This annual community benefits reporting illustrates the ways these hospitals both meet and exceed the requirements and expectations attached to the privilege of tax exemption.

New analysis released by the AHA shows that tax-exempt hospitals provided nearly \$150 billion in total benefits to their communities in 2022, the most recent year for which comprehensive data is available from the Internal Revenue Service (IRS).<sup>i</sup> This number reflects a host of benefits reported on Schedule H, including financial assistance, absorbed Medicaid and Medicare underpayments, and subsidized medical services, as well as training of residents and community health programs.

This represents a nearly 50% increase in community benefit spending from 2017 to 2022. A large portion of this spending — representing nearly 7% of nonprofit hospitals' total expenses, or approximately \$65 billion — went to financial assistance for patients in need, including absorbing underpayments from federal, state or local government programs for low-income people. Tax-exempt hospitals' and health systems' total community benefits comprised 15.1% of their total expenses in 2022.

Comparisons of community benefit spending and the value of the tax exemption further illustrate the benefit hospitals provide. A 2024 report from the accounting firm EY demonstrated that for every dollar invested in nonprofit hospitals and health systems through the federal tax exemption, tax-exempt hospitals and health systems delivered \$10 in benefits to their communities, illustrating the tremendous return that those communities receive.<sup>ii</sup>

## **HOW COMMUNITY BENEFIT IS MEASURED**

A hospital's nonprofit status is fundamentally tied to its broad service to the community — not to any single, arbitrary metric. Courts have consistently affirmed that nonprofit hospitals fulfill their charitable mission through a range of activities, including maintaining access to care regardless of ability to pay, advancing medical science and reinvesting earnings into facility improvements and community services.<sup>iii, iv, v</sup> Courts have rejected attempts to tie nonprofit status to narrow quantitative thresholds, such as the percentage of free care rendered, warning that such approaches would undermine the broader public good that nonprofit hospitals are designed to serve. This legal framework supports a holistic understanding of community benefit — one that recognizes the diverse ways hospitals meet their charitable obligations unique to their communities and cautions against reductive or overly simplistic measures.

Researchers, too, have recognized that the benefits tax-exempt hospitals provide go well beyond financial assistance. Studies show that tax-exempt hospitals are “considerably more likely” to provide unprofitable services, such as psychiatric and hospice care, which are essential to community health but often lack financial

incentives. The authors of these studies warn that overlooking the significance of nonprofit ownership for service provision “has critical health and spending consequences.”<sup>vi</sup> To read more about what the AHA has said on this topic, please refer to our previous [statement](#) from the subcommittee hearing in 2023.

A comprehensive approach to community benefit is especially critical because each component is intended to address needs specific to the communities each hospital serves. A recent joint report from the AHA and the Catholic Health Association underscores that financial assistance is only one part of the broader community benefit hospitals provide.<sup>vii</sup> The report highlights the wide range of benefits tailored to the unique needs of their communities that nonprofit hospitals deliver and report on to the IRS, including supporting groundbreaking research, training the health care workforce, running community health programs, and absorbing losses from means-tested government programs like Medicaid.

As the report makes clear, every community is different, and the benefits and services hospitals provide are similarly unique and responsive to local needs. Nonprofit hospitals are required by law to identify the challenges faced by their communities, support programs and services to address these issues, and publicly report their investments. Focusing solely on financial assistance overlooks the vital role hospitals play as safety-net providers and the many other ways they advance health and well-being in their communities.

## **WHERE HOSPITAL COMMUNITY BENEFIT DOLLARS ARE SPENT**

Analysis of reporting by tax-exempt hospitals and health systems illustrates how these dollars are being spent to benefit Americans. The chart below breaks out the data into Schedule H categories and hospital types, demonstrating how the breakdown of benefits varies to some degree among hospital types. Across all hospital types, the overwhelming majority of community benefit dollars are spent on Schedule H Part I categories, including: financial assistance, absorbing underpayments by Medicaid and other means-tested government programs, health professions education and subsidizing health services.

## Hospitals' Total Benefit to the Community (Percent of Expense)

Schedule H Form	Part I	Part II	Part III		
Hospital Category	Financial Assistance and Certain Other Community Benefits	Community Building Activity	Medicare Shortfall	Bad Debt Expense	Total Benefits to the Community
<b>DEMOGRAPHIC COMPARISONS</b> (1,809 Individual Hospitals)					
<b>Size</b>					
Small	9.00%	0.10%	1.70%	0.40%	11.10%
Medium	9.40%	0.10%	3.80%	0.30%	13.50%
Large	11.90%	0.00%	3.80%	0.20%	16.00%
<b>Location</b>					
Rural	8.50%	0.10%	1.70%	0.40%	10.70%
Urban/Suburban	11.40%	0.10%	3.70%	0.20%	15.40%
<u>Type**</u>					
General Medical	10.80%	0.10%	3.90%	0.20%	14.90%
Children's	19.10%	0.10%	0.20%	0.10%	19.60%
Teaching Hospital	11.70%	0.00%	3.70%	0.20%	15.70%
Critical Access Hospital Status	8.90%	0.10%	0.60%	0.30%	9.90%
<b>System-Affiliation</b>					
Affiliated	10.70%	0.00%	3.80%	0.20%	14.70%

**Note:** Percentages may not sum to the total percent due to rounding.

\* Net shortfall (gross shortfall less surplus).

\*\* A single hospital can be in more than one type category.

Hospitals are vital community anchors, improving health far beyond the walls of clinical care. The dollars spent and expenses incurred by nonprofit hospitals — as reported in IRS Schedule H — only tell part of the story. In reality, these community benefit activities include programs that address food insecurity, chronic disease, cancer support, preventive screenings, and more. The examples below are just a small snapshot of hospitals' deep commitment to helping people live healthier lives, especially in underserved and rural communities.

Texas Health Harris Methodist Hospital, Stephenville, Texas

Texas Health Harris Methodist Hospital Stephenville's new pulmonary rehabilitation program is transforming the way chronic respiratory diseases are treated in rural Erath County. Recognizing the urgent need for localized care, the hospital launched this initiative to help patients manage conditions like COPD, asthma and bronchitis — illnesses that are often more prevalent and underdiagnosed in rural areas. The goal of the program was to address the needs of Stephenville residents by meeting them where they live and helping them improve their breathing conditions and lifestyle. The 12-week program, housed within the hospital's cardiac rehabilitation facility, offers more than just supervised exercise; it provides them with resourceful tools to manage their chronic conditions and includes necessary nutritional guidance, effective breathing techniques and constant emotional support that patients need and deserve.

IU Health, Indianapolis, Ind.

IU Health established a nutrition hub at Methodist Hospital in Indianapolis to address rising food insecurity. The program allows referred patients — especially those preparing for surgery — to pre-order meals via a mobile app and access food lockers 24/7. With one in four Marion County residents facing food insecurity, this initiative reflects a strong community collaboration aimed at improving health outcomes by ensuring patients have reliable access to nutritious food.

IU Health's Congregational Care Network is a multi-faith initiative that connects trained volunteers from local congregations with patients who need extra support after hospital discharge, particularly those who are socially isolated or high utilizers of care. The network has significantly improved patient outcomes — reducing hospital readmissions by 64% and emergency visits by 24%. Volunteers, called companions, receive specialized training and serve as mentors, helping patients transition back to daily life. Rooted in community collaboration and inspired by faith-based service, the network exemplifies how partnerships between health care systems and congregations can create meaningful, place-based solutions to improve community health.

Avera Health, Sioux Falls, S.D.

To address food insecurity among individuals who don't qualify for federal assistance, Avera Health has partnered with Feeding South Dakota, Avera Research Institute and Avera's Community Partnership Program in creating Wellness Pantries in clinics in Sioux Falls and Parkston, S.D. These pantries provide patients with shelf-stable produce, nonperishable items, dairy products and referrals to other food resources, offering immediate support when food needs are identified. With 106,000 South

Dakotans facing food insecurity — 65% of whom are ineligible for federal aid — the program aims to improve access to nutrition and promote health directly within health care settings.

Columbus Community Hospital, Columbus, Neb.

Columbus Community Hospital in Nebraska has launched the Postpartum Alert: A Life-Saving Maternal Safety Initiative in collaboration with the Nebraska Perinatal Quality Improvement Collaborative to improve maternal health outcomes during the critical six weeks after childbirth. Through community-driven efforts, the program equips postpartum patients with teal wristbands to help health care providers quickly identify and respond to complications, while also emphasizing patient education and follow-up care. Supported by evidence-based practices, this initiative reflects a strong commitment to maternal safety and collaborative health care improvement across the state.

## **A FLEXIBLE COMMUNITY BENEFIT APPROACH IS ESSENTIAL TO BEST SERVE AMERICAN COMMUNITIES**

One of the greatest accomplishments of the community benefit standard is the flexibility it gives hospitals and health systems to meet the unique needs of their communities. A small rural community in Montana will not have the same needs for support and services as a hospital in Phoenix. It should always be up to those communities to decide if the range and focus of their hospital's community benefit activities meet their needs. The Community Health Needs Assessment, undertaken every three years, provides hospitals with insight into the key needs of their communities to develop programs and focus expenditures to address those unique needs. Any suggestion that the IRS should both define and evaluate community benefit clearly misses the point. Community benefit can only be fairly judged by those in the community for which the benefits accrue.

This approach is reflected in how nonprofit hospitals report their activities to the IRS. When a nonprofit hospital files the IRS Form 990 Schedule H, it reports on a wide range of activities and expenditures to show how it fulfills its mission of serving its community. These activities span direct financial assistance, community-building initiatives, unreimbursed costs for Medicare and Medicaid, health professions education and other key contributions. Every item reported represents either a direct expenditure or an unreimbursed cost incurred in service to the community, reflecting real investments in workforce development, access to care for Medicare beneficiaries and support for those who fall through the cracks of coverage and eligibility systems.

Discussions of community benefit often focus on financial assistance to the exclusion of other metrics, but this approach risks missing the ways community benefit expenditures are tailored to the makeup of their communities and may vary based on a host of factors.

Hospitals and health systems engage in a wide array of community-focused initiatives that may not fit neatly into IRS-defined categories, such as partnerships with schools to

promote youth mental health, mobile clinics for rural and underserved areas, and investments in food security programs. These efforts are often highlighted in community health needs assessments and impact reports, underscoring the creative, responsive and locally driven ways hospitals meet community needs.

In an era of rising health needs and constrained resources, every dollar spent — or lost — in service to the community deserves recognition. To fully understand how hospitals support the health and vitality of their communities, we must consider the full scope of their contributions, as reflected in law, policy, research and practice.

## **CONCLUSION**

Tax-exempt hospitals deliver a wide range of services and support systems, most of which are publicly reported each year through the IRS Form 990 Schedule H. In these filings, tax-exempt hospitals tally many of the benefits they confer to their communities, and every year since reporting began, the total value of these benefits has exceeded the value of their federal tax exemption.

More importantly, both the numbers and the range of benefits — from financial assistance for care, to backstopping federal programs that consistently underpay, to training and research, community support and the thousands of other efforts hospitals make to promote and protect the health and well-being of their communities — demonstrate hospitals' commitment to their communities and their enduring value.

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<sup>i</sup> <https://www.aha.org/guidesreports/2025-09-10-tax-exempt-hospitals-provided-149-billion-total-benefits-their-communities>

<sup>ii</sup> <https://www.aha.org/system/files/media/file/2024/09/EY-Estimates-of-the-value-of-federal-tax-exemption-community-benefits-provided-by-nonprofit-hospitals-2020.pdf>

<sup>iii</sup> Third Order of St. Dominic v. Younkin, Supreme Court of Kansas, 1925.

<sup>iv</sup> Santa Rosa Infirmary v. City of San Antonio, Texas Supreme Court, 1940.

<sup>v</sup> City of Richmond v. Richmond Memorial Hospital, Virginia Supreme Court, 1965.

<sup>vi</sup> Horwitz, J.R., Nichols, A., & Park, H. (2017). "Ownership and Provision of Unprofitable Services in U.S. Hospitals." *Health Affairs*. <https://doi.org/10.1377/hlthaff.2016.1024>

<sup>vii</sup> <https://www.aha.org/nonprofit-hospital-community-benefits-addressing-each-communitys-unique-needs>