

Tax-exempt Hospitals and Community Benefit

FHA member hospitals contributed more than \$3.7 billion in community benefit in 2017, representing 10.2 percent of total hospital expenses.

What is a tax-exempt hospital?

Tax-exempt hospitals are distinguished by certain charitable obligations that have evolved over time as they work to meet the changing health needs of their communities. Most hospitals in Florida operate as not-for-profit organizations, making them eligible for tax exemption. In exchange for tax-exempt status, these hospitals are expected to provide benefits to communities, known as “community benefit.” This is a requirement of the IRS that was put in place in 1956 and continues today.

The value to a nonprofit hospital of being granted 501(c)(3) status by the IRS includes the direct benefits of being exempt from various federal, state and local taxes, as well as the indirect benefits of receiving charitable donations and issuing tax-exempt bonds.

What is Community Benefit?

The community benefits that Florida’s hospitals and health systems provide are unique to the needs of each community. They include free or discounted care, underpayments from government programs, education for health care professionals and medical research. Community benefits also include activities that improve a community’s health, such as free health screenings and community health fairs, and community building activities that invest in local socio-economic development and strengthen community partnerships.

The IRS defines what constitutes as community benefit and has identified eight distinct categories:

1. *Charity Care*: cost of free or discounted services to people meeting criteria for receiving financial assistance.
2. *Unreimbursed Costs*: difference between the hospital’s costs incurred for treating Medicare and Medicaid patients and the payment received.
3. *Unreimbursed Costs from Other Means-tested Programs*: difference between the hospital’s costs incurred for treating patients without insurance or patients with high-deductible plans and the payment received.
4. *Community Health Improvement Services and Operations*: activities or programs subsidized by the hospital with the goal of improving community health.
5. *Unreimbursed Health Professions Education*: cost incurred on licensure training programs for health professionals.
6. *Subsidized Health Services that are Not Means-tested*: clinical services provided to patients despite causing a financial loss to the hospital after incorporating the payments received.
7. *Unfunded Research*: a study or investigation with a goal of communicating knowledge to the public.
8. *Cash and In-Kind Contributions*: donations to other organizations to provide any of the seven community benefits described above.

The *Affordable Care Act* placed additional community benefit-related requirements on tax-exempt hospitals. The law requires that tax-exempt hospitals conduct Community Health Needs Assessments every three years and must “take into account input from persons who represent broad interests of the community served, including those with expertise in public health.” Hospitals work with stakeholders and community partners including county health departments; other hospitals and health care providers; and members of medically underserved, low-income and minority populations to identify and prioritize significant health care needs in their communities.

FHA member hospitals contributed more than \$3.7 billion in community benefit in 2017, representing nearly 13 percent of total hospital expenses.

- Charity Care: \$1,241,006,384
- Medicaid/Other Means-Tested Government Programs: \$1,752,148,794
- Health Professionals Education, Research & Workforce Development: \$380,100,985
- Community Health Improvement: \$378,715,864
- Community Building Activities: \$19,517,231

Total Community Benefit: \$3,771,489,258

Community Benefit Example (Memorial Healthcare System)

Memorial ALLIES (Adult Living Life Independently, Educated and Safe) addresses the challenges of senior citizens maintaining their independence and health through activities that address social isolation, contribute to quality of life, maintain independence and improve physical and mental health.



Funded through the Community Foundation of Broward, ALLIES helps residents who are 80 and older to remain healthy and independent while facing the challenges of aging.

According to Florida's Department of Elder Affairs, persons reaching age 80 experience quality-of-life changes as their health and mobility deteriorate. Needing help with everyday activities is exacerbated by lack of a support network and/or inability to pay for services. Loss of mobility, income or a spouse/partner can lead to health problems, isolation and depression. Older adults currently make up 22.5 percent of Broward's population, which is projected to increase to 31 percent by 2030.

Since 2016, ALLIES has impacted 1,500 hard-to-reach seniors through home visitations, safety checks and small household improvements that promote independence. As a result, 88 percent of participants have improved their ability to perform activities of daily living and 99 percent have remained independent. Through strategic linkage to available community resources, 85 percent of participants have reported feeling less isolated and more connected to the community.

For more information on hospital community benefit, visit www.MissiontoCare.org.