Enhanced Oversight of Hospitals' Community Benefit Spending

LOCAL BUSINESS RELIEF COALITION

Hospitals' Community Investments Fall Short of Nonprofit Tax Breaks

Nonprofit hospitals are exempt from tens of billions in federal, state, and local taxes. In exchange, they are expected to give back to their communities in the form of financial assistance and investments in community health. However, most hospitals give back less than they receive in tax benefits and community investments can vary considerably.

[1] https://lowninstitute.org/projects/are-nyc-hospitals-earning-their-tax-breaks/

$1 Billion Tax Breaks for NY Hospitals

- **In 2021, more than 70% of NY nonprofit hospitals spent less on community benefits than the tax breaks they received**
- **Hospitals' tax exemptions were valued at $4.2 billion compared to $3.2 billion community benefits**

While hospitals are required to submit information to the Internal Revenue Service about community benefit spending, there is still little transparency and they are not required to spend a fixed amount on community benefits. Other states require reporting on community benefit programs and have set thresholds of minimum meaningful spending.

According to a 2024 report from the Lown Institute, a healthcare think tank, more than 70% of New York's nonprofit hospitals spent less money on benefits like community programs than the value of their tax breaks. According to the analysis, roughly 120 statewide hospitals received tax exemptions estimated to value $4.2 billion in 2021, but collectively spent $3.2 billion on community benefits, such as financial assistance or free health clinics – a difference of over $1 billion.

TO BETTER UNDERSTAND HOSPITAL COMMUNITY BENEFITY SPENDING, NEW YORK SHOULD:

- Require hospitals to submit to DOH, on an annual basis, a report demonstrating that their community benefit spending is at least equal to the value of their tax exemption (under federal law);
- Limit the categories of "community benefit" that hospitals are allowed to count toward the value of that tax exemption;
- Assess the difference in dollar amounts for any hospital that falls short;
- Direct funds that were not used in community benefit spending to the state health transformation fund.