

Community Benefit Expenditures at Nonprofit Hospitals

Topic Selection Background Information

March 2024

Program Overview	Nonprofit hospitals must provide “community benefits” in exchange for federal tax-exempt status. Community benefits include free or reduced-cost patient care services that are intended to promote community health. Minnesota statutes also allow tax exemptions on many purchases for nonprofit hospitals that operate for charitable purposes.
Original Evaluation Questions	What tax exemptions exist for nonprofit hospitals in Minnesota? How much do these exemptions cost the state? How does the amount of community benefit spending compare to the tax exemptions given to tax-exempt hospitals? To what extent are community benefit expenditures reflective of actual costs accrued by reporting organizations? To what extent is there an association between reported community benefit expenditures and health outcomes? What percentage of community benefit spending is dedicated to charity care? What changes could be made to community benefit and other tax-exempt reporting to better address community health needs?
Revised Questions	How does the amount of community benefit spending compare to the tax exemptions given to tax-exempt hospitals? What percentage of community benefit spending is dedicated to charity care? What changes could be made to community benefit and other tax-exempt reporting to better address community health needs?
State Resources <i>High</i>	According to the Minnesota Department of Health’s (MDH’s) most recent relevant report, published in 2007, nonprofit hospitals received \$225.9 million in state and local tax-exemptions.
State Control <i>Medium</i>	Federal law establishes the “community benefit standard” to determine if a hospital operates for charitable purposes and is eligible to receive federal tax exemption. Hospitals must report spending on community benefits to the federal government annually. State law also requires annual reports and provides more detailed requirements.
Impact <i>High</i>	Community benefits can improve access to care and enhance community health. In a 2021 survey, about 20 percent of Minnesotans said they went without care due to the cost of health care, and about 4 percent of Minnesotans are uninsured. In 2021, Minnesota nonprofit hospitals reported almost \$1.4 billion in community benefit expenditures.
Timeliness <i>Medium</i>	While OLA could provide updated information about community benefit expenditures in Minnesota, there is a not a compelling reason to do so this year.
Feasibility <i>Low</i>	As proposed, the scope of this evaluation is not feasible. OLA could likely make only limited progress on answering a select number of questions prior to the next legislative session.
Balance <i>High</i>	OLA has not previously evaluated or audited nonprofit hospital community benefit expenditures.
Discussion <i>Better suited for other entities</i>	The proposed evaluation questions are more consistent with academic research than a program evaluation. OLA could answer certain questions posed, but MDH published a report in 2007 addressing similar questions; therefore, MDH may be better positioned to conduct this research.