

Holding Tax-Exempt Hospitals Accountable for Addressing Community Health Needs:

An Exploration of Maryland Hospitals' Community Benefits Reports

Maryland's hospitals get millions of dollars in tax breaks each year, which they are supposed to be using to fund community benefits programs that make our communities healthier. For neighborhoods struggling with crumbling schools, substandard housing, poor air quality, and a lack of natural spaces, hospital community benefits spending offers the opportunity for investments in initiatives that will improve community health.

Are hospitals doing enough for their communities? Based on the reports they file, many may not be.

Maryland law does not specify any minimum level of community benefit spending that a nonprofit hospital must provide to qualify for its tax-exempt status. In recent months, the 1199SEIU Maryland/DC Division's research department reviewed and analyzed all FY 2018 financial and narrative community benefits reports and found that in FY 2018, Maryland hospitals reported spending \$1.75 billion on community benefit activities.

Other key findings:

- **A lack of transparency:** Hospitals are not reporting the value of their tax exemptions; therefore, the public cannot determine whether their charitable work is commensurate to the value of the tax exemptions they receive.
- **A lack of accountability:** Hospitals are filing financial reports that claim as community benefits activities for which hospitals have already been reimbursed. Additionally, it is unclear how much current community benefits spending directly supports programming and initiatives designed to improve population health outcomes.
- **A lack of community input:** According to the reports, too many hospitals are not adequately engaging communities in their development of Community Health Needs Assessments. Furthermore, many community benefit implementation plans lack community collaboration.

Are Maryland hospitals currently doing all they can to include community members in the development of CHNAs and in the delivery of community benefits?

Based on the reports compiled by the state, the answer is **NO**.



Examples of hospitals whose reports indicate that they've spent less than \$50,000 on initiatives designed to improve community health outcomes.

MedStar Good Samaritan, FY 2018

1. **Living Well Chronic Disease Management and Diabetes Self-Management Program:** The hospital hosted a series of seven-week workshops, and 11 people participated. Cost = \$1,102
2. **Life Balance and Weight Management Program:** The hospital convened monthly meetings for weight loss; 48 people enrolled, while 26 completed the program. Cost = \$7,663
3. **Blood Pressure Screening Program:** This initiative reached 250 people. Cost = \$1,250.

Total Cost: \$10,015

Total Expenditures Reported: \$18.3 Million

University of Maryland – Upper Chesapeake Medical Center and Harford Community Hospital

1. **Living Well Chronic Disease Management Program:** This initiative included classes and community workshops. Cost = \$8,617
2. **Stepping on Program:** An initiative which targeted seniors for exercise; the program reached 67 participants. Cost = \$5,489.
3. **Diabetes Prevention Program:** A program that saw 51 participants in 4 classes. Cost = \$3,038.

Total Cost (across two hospitals): \$17,144

Total Expenditures Reported: \$23.1 million

Shady Grove Adventist, FY 2018

1. **Diabetes Self-Management Program:** Initiative that had 154 attendees. Cost = \$3,057.41
2. **Hungry Harvest Rx Program:** 167 food deliveries were made to food-insecure community members. Cost = \$9,490
3. **Long Branch Healthy Food Access Program:** Food was delivered to 106 low-income residents in Takoma Park/Long Branch community. Cost = \$17,500.

Total Cost: \$30,047

Total Expenditures Reported: \$24.4 million

What are community benefits, and why do they exist?

Every hospital in Maryland is tax-exempt, as defined by the Internal Revenue Code. Nonprofit hospitals are generally exempt from an assortment of taxes, including federal income and unemployment taxes as well as state and local income, property, and sales taxes.

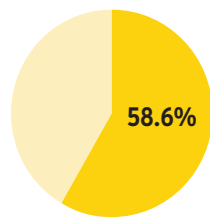
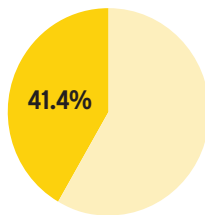
To qualify for this status, the IRS created the “Community Benefit Standard,” which stipulates that nonprofit hospitals must provide benefits to the community in order to be considered charitable.

Net community benefits minus indirect costs

In FY 2018 **Total Community Benefit Expenditure** minus **rate support and indirect costs** was **\$724.1 million**, an average of **\$14.2 million** per hospital.



This amount represents **41.4% of the \$1.75 billion** the hospitals reported as their **Total Community Benefit Expenditures**.



In fact, **58.6% of hospitals' Total Community Benefit Expenditures** were either subsidized through rates set by the HSCRC or were expenditures on items not directly related to providing community benefits.

The Fair Care for Maryland Bill will:

- Create a working group that sets minimum community benefits spending for each hospital, based on community needs and hospital profit margins and reserves.
- Mandate meaningful public engagement in identifying community health needs.
- Require hospitals to clearly report their community benefit expenditures, tax exempt disclosures, and other financial measures.

The Solution

Marylanders deserve to see the complete picture of the impact tax-exempt hospitals have on the communities they serve. The increased scrutiny of hospital governance in the wake of recent scandals is an opportunity to develop meaningful reforms.

We can add significant transparency to the community benefit reporting process. Moreover, we can expand the role of communities in developing community health needs assessments, so that we may evaluate how spending intersects with realities on the ground. We can include community members, consumers, caregivers, neighborhood organizations, and advocacy groups in decision-making, so that hospital spending is better aligned with our most pressing public health needs, including the need to address racial disparities in healthcare.



Bottom line: We need to pass legislation that will strengthen Maryland's community benefits program and ensure hospitals are held accountable to their charitable missions.

Prepared by 1199SEIU, with assistance from the Center for Consumer Engagement in Health Innovation and SEIU Local 49.

For more information, please visit FairCareForMD.com.