

COMMITMENT TO COMMUNITY BENEFIT

THE ISSUE

Catholic and other nonprofit healthcare organizations were established to respond to community needs. As charitable organizations, they provide acute, emergency and often primary medical care, with a longstanding commitment to caring for vulnerable and underserved populations. They also demonstrate their commitment to their communities through community benefit activities and other investments in health and well-being that make their communities healthier places to live, work and raise families.

Nonprofit hospitals are highly regulated and qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) as charitable organizations, providing healthcare to their communities.¹ In doing so, nonprofit hospitals, such as Catholic healthcare hospitals focus on people and communities, not the interests of investors and shareholders. They are required to complete a IRS Form 990 Schedule H annually to report their community benefit and other information related to their tax-exempt status. Schedule H identifies eight categories of community benefit spending, each with clearly defined reporting and accounting requirements. Each category plays an important role in improving community health and well-being.

In addition, IRC 501(r) requires nonprofit hospitals to conduct and publish an assessment of community health needs, with input from the community and public health experts; adopt an implementation strategy to address the identified needs; and develop and publish financial assistance policies.

It also limits what hospitals can charge persons eligible for financial assistance, reinforces existing federal requirements regarding emergency medical care, and addresses billing and collections policies and procedures. To ensure compliance, the IRS is required to review the community benefit activities of each tax-exempt hospital once every three years.

However, the full value that nonprofit tax-exempt hospitals bring to their communities cannot be captured in a tax form that focuses primarily on dollars spent on community benefit. Tax-exempt hospitals also benefit and impact their communities through activities and investments that go above and beyond their primary charitable purpose and IRS reporting requirements. They are also anchor institutions and community partners, addressing the root causes of poor health by changing policies, systems and environments to promote health and well-being.

With a focus on patient and community needs, nonprofit tax-exempt hospitals promote the health of their communities comprehensively. As such, nonprofit hospitals reinvest surplus funds into the health and wellness of the community, are more likely to provide essential services because of community need even if unprofitable, are dedicated to caring for vulnerable populations and keep their focus on people, not profits. Nonprofit hospitals pay taxes, including payroll taxes, unrelated business income taxes, as well as other taxes and fees. Investments in community benefits by nonprofit hospitals far exceed the value of federal revenue forgone from their nonprofit tax-exempt status.² Catholic healthcare helps advance access and affordability by investing in prevention, addressing social needs, increasing access to care and improving community health.

¹ Congressional Research Service, *Tax-Exempt Hospitals and Community Benefit Requirements*, R48027.

² EY, *Estimates of the value of federal tax exemptions and community benefits provided by U.S. nonprofit hospitals*, 2022.

MINISTRY TRADITION

Catholic social teaching emphasizes the human dignity of each person, promotion of the common good, special concern for those who experience poverty and marginalization, and responsible and effective stewardship of resources. Community benefit is an expression of this teaching, as well as our mission and commitment to care for our communities so all may flourish.

CHA'S POSITION AND ACTIVITIES

For more than 35 years, the Catholic Health Association (CHA) has been and remains the leader in nonprofit hospital community benefit, providing information, tools and training to assess, plan, report and comply with community benefit requirements. CHA is a key partner in the development of the IRS Form 990 Schedule H reporting, which was based on reporting guidelines in CHA's foundational and widely used resource, [*4 Guide for Planning & Reporting Community Benefit*](#). CHA was also a key partner in developing the Affordable Care Act (ACA) and 501(r) requirements for tax-exempt hospitals.

CHA members welcome the opportunity to be even more transparent and accountable to their communities and policymakers about how they are fulfilling their mission and tax-exempt purpose. Therefore, any new reporting requirements should serve the goal of transparency and accountability rather than creating duplicative and costly reporting requirements that provide little clear value to patients and policymakers and divert resources away from patient care and community health.

CHA SUPPORTS

- **The current ACA and IRS requirements for tax-exempt hospitals** to conduct community health needs assessments (CHNAs); develop implementation strategies, financial assistance policies, limitations on charges, and billing and collection policies; and report their community benefit activities, as defined by and through the IRS 990 Form Schedule H. CHA encourages hospitals to post their implementation strategies on their website with the CHNA.
- **The IRS Form 990 Schedule H's definition of community benefit and the importance of all eight categories** to improve the health and well-being of communities. Each community is unique, and we support not-for-profit hospitals working with their communities to determine their community benefit programs. A top-down approach fails to reflect the divergent health, social and economic needs of communities. CHA supports reporting community benefit as a full range of services that improve community health and well-being, including the social drivers of health.
- **Strengthening transparency by publishing the mandatory annual IRS report to Congress**, required by ACA Section 9007(e)(1), regarding levels of charity care and community benefit provided by tax-exempt, taxable and government hospitals. By publishing the required report, Congress will have a baseline for making informed decisions on community benefit policy.
- **Promoting an understanding of the differences between the Medicare Cost Report (MCR) definitions and calculations and IRS Form 990 Schedule H reporting.**
- **Accountability across the entire healthcare system.** CHA supports sufficient funding for the IRS to fully enforce existing 501(c)(3) and community benefit reporting requirements.
- **Making it easier to determine eligibility for financial assistance and health insurance enrollment.** Technology, staffing and infrastructure should support providers in efficiently verifying patients' income and eligibility for public and financial assistance.
- **Strong national public health infrastructure** to effectively carry out its core functions to prevent disease, promote healthy living, and prepare, prevent for and respond to emergency situations.