

SB832: Nonprofit Hospitals – Community Benefits

Sponsor: Senator Stephen Hershey

Position: FAVORABLE

Testimony by Jamie Gregory on behalf of Consumer Action for a Strong Economy (CASE)

Background:

Nonprofit hospitals enjoy enormous public benefits: exemption from federal, state, and local taxes; access to tax-free bond financing; and billions in government payments. In return, they are expected to deliver charity care and community benefits that justify those privileges.

- According to the Lown Institute, 18% of Maryland’s nonprofit hospitals do not give back as much as they receive.
- In Maryland, nonprofit hospitals receive approximately \$587 million annually in tax benefits. These include local property tax exemptions, state sales tax exemptions, state income tax exemptions, federal income tax benefits, and access to tax-exempt bond financing.
- A 2024 JHU Department of Health Policy and Management study found nationally that 23.8% of nonprofit hospitals receive more tax benefits (\$16.4 million) than they spend on community benefits (\$10.4 million). Only one quarter provides more charity care than they receive in tax benefits.

Previous Legislation:

- During the 2020 Session, HB1169/SB774 was adopted requiring the Health Services Cost Review Commission to establish a Community Benefit Reporting Work Group.
- The enacted Work Group recommendations require nonprofit hospitals to provide a Community Health Needs Assessment to the HSCRC annually which are available with a delay on the Commission website.

Proposed Changes:

- HB1136 would establish measurable performance thresholds for state tax exemption.
- Nonprofit hospitals would be required to provide community benefit equal to either 100 percent of the value of tax benefits received or 5 percent of net patient revenue, with at least 4 percent devoted to charity care.
- The bill will strengthen the nonprofit hospital social contract by aligning public subsidy with public return.

We respectfully request your SUPPORT for HB1136: Nonprofit Hospitals – Community Benefits.

For any questions or more information regarding Consumer Action for a Strong Economy’s position, please contact Jamie Gregory at jgregory@lhstrategy.com or 202-841-3567.