



March 6, 2026

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, Maryland 21401

RE: Senate Bill 832 - Nonprofit Hospitals - Community Benefits - Letter of Information

Dear Chair Beidle and Committee Members:

The Health Services Cost Review Commission (HSCRC) respectfully submits this Letter of Information for Senate Bill (SB) 832 - Nonprofit Hospitals - Community Benefits - Letter of Information.

Federal Nonprofit Status and Community Benefit Reporting Requirements

The federal Internal Revenue Code defines tax-exempt organizations as those that are organized and operated exclusively for specific religious, charitable, scientific, and educational purposes.¹ Nonprofit hospitals are required to demonstrate community benefits to qualify for federal tax-exempt status. The term “community benefit” refers to initiatives, activities, and investments undertaken by hospitals to improve the health of the communities they serve. Hospitals are also required to conduct a Community Health Needs Assessment (CHNA) at least once every three years. Hospitals report community benefit activities to the Internal Revenue Service (IRS) annually on Schedule H, form 990. The IRS does not set a minimum requirement of community benefit that a hospital must provide.

Maryland Community Benefit Reporting Requirements

Maryland has additional requirements that provide the State with more information than is available through the federal reports. Maryland law defines “community benefit” as a planned, organized, and measured activity that is intended to meet identified community health needs within a service area.² Maryland’s hospitals submit detailed financial and narrative reports on an annual basis to the HSCRC, including information on direct and

¹ 26 U.S.C. § 501(c)(3).

² MD. CODE. ANN., Health-Gen. § 19-303(a)(3); COMAR 10.37.01.03.

indirect costs of community benefits categorized by type of activity, offsetting revenue, health disparities, the types of tax exemptions claimed in the preceding year, and the amount of community benefit activities that are connected to needs identified in the CHNA. The HSCRC submits an annual summary report to the Maryland General Assembly on an annual basis, and both this summary report and hospital narrative and financial reports are publicly posted on the HSCRC's website.³

Brief Summary of Maryland Community Benefit Report: FY 2024

According to the FY2024 Hospital Community Benefit Report, Maryland hospitals provided approximately \$2.35 billion in total community benefit activities in FY2024.⁴ Hospitals directly funded \$1.34 billion of the total community benefit spend, with the remaining \$989 million funded by health care payers through hospital rates. Hospitals reported the highest spending of total community benefit investments on mission-driven health services, health professions education, and financial assistance for patients.

Proposed Changes in SB832 and Potential Impact

Charity Care - Charity care as a component of hospital community benefit is defined by the IRS.⁵ Maryland law sets minimum requirements for hospital financial assistance. At this time, if a hospital's financial assistance policy is more generous than required by law, that additional assistance can be claimed as a community benefit. The proposed definition would remove that flexibility.

Determining Tax Exemption Value - The HSCRC conducted a tax benefit assessment of Maryland hospitals in 2020.⁶ Other researchers have published articles and reports evaluating the benefit of hospital tax exempt status on a national scale, with multiple approaches resulting in varying estimates.⁷ The bill is currently silent on the responsibility for determining the value of tax exemptions, and on the parameters that must be followed when establishing these valuations.

Reporting Requirements - HSCRC issues detailed reporting instructions, provides training, and offers additional guidance on an annual and as needed basis for hospital staff that lead community benefit reporting.⁸ The reporting requirements and timelines

³ [HSCRC Community Benefits Program](#)

⁴ [Maryland Hospital Community Benefit Report FY24](#)

⁵ [Hospital Charity Care: How It Works and Why It Matters, KFF, accessed February 2025](#)

⁶ [HSCRC Tax Benefit Assessment, July 2020](#)

⁷ Zare, H. & Anderson, G. (2024). Beyond the bottom line: Assessing charity care, community benefits, and tax exemptions in nonprofit hospitals. *Journal of Healthcare Management* 69(6), 439-454. DOI: 10.1097/JHM-D-24-00080.

⁸ [HSCRC Final FY 2024 Community Benefit Guidelines and Definitions.](#)

proposed in SB832 conflict with newly revised regulations, reduce the flexibility needed to ensure comprehensive and accurate reporting, and may result in duplicate reporting.

Thank you for the opportunity to provide context and additional information as the Committee considers SB832. If I can answer any additional questions, please do not hesitate to contact me at jon.kromm@maryland.gov.

Sincerely,



Jon Kromm
Executive Director