



Minnesota Hospital Association

Hospital Community Impact in Minnesota

Minnesota's non-profit hospitals and health systems are committed to addressing the overall well-being in their communities. They do this by providing community benefits - health care-related services, often with little or no compensation, to address critical needs in the community. These services include:



Health outreach services to vulnerable or underserved people



Financial assistance and in-kind support of public health programs



Health education screening and prevention services



Medical research projects



Physician, nurse, and highly skilled health care professional training initiatives

Existing federal and state regulations require non-profit hospitals and health systems to provide community benefits to maintain tax-exempt status.

Federal Requirements

Since passage of the Affordable Care Act, implemented in 2010, non-profit hospitals are required to file a special tax form known as Schedule H, along with their annual Form 990. The Internal Revenue Service (IRS) outlines specific community benefit reporting requirements in their form instructions, and reviews each hospital's community benefit activities at least once every three years.



IRS Defined Community Benefits:

- **Charity Care:** The cost incurred by a hospital in providing free or discounted health care to low-income people who qualify according to the hospital's policies.
- **Unreimbursed Medicaid:** The financial loss suffered by hospitals resulting from the difference between payments received from Medicaid and the cost of care provided to low-income and medically indigent Medicaid enrollees. This category also includes Medicaid provider taxes, fees, and assessments - which in Minnesota consists of the Medicaid surcharge and the MinnesotaCare tax.
- **Unreimbursed costs of other means-tested government programs:** The financial loss suffered by hospitals resulting from the difference between payments received from public programs for those in need of support and the cost of care provided to those enrollees.



- **Community health improvement services and benefit operations:** Community services to address specific community health needs, such as health screenings, health education, health fairs, subsidized health services, and other community outreach programs.
- **Subsidized health services:** Health care, such as emergency and trauma, behavioral health or renal dialysis services, provided at a financial loss because they meet community needs or, if not provided by the hospital, would be unavailable in the community or would become the responsibility of government or another nonprofit.
- **Health professions education and workforce development:** Education and workforce development, including training for doctors, nurses, and other highly skilled health care professionals.
- **Research:** Support for the development of better medical treatments and finding cures for diseases.
- **Cash and in-kind donations:** Money, food, equipment, supplies, or services donated by the hospital to individuals, other nonprofits, or the community at large.



At a glance



COMMUNITY BENEFIT

\$3.6 billion

Community benefits as defined by the IRS



CHARITY CARE

\$245 million



BAD DEBT

\$766 million

Minnesota hospitals and health systems were not reimbursed for charity care and bad debt totaling \$1.02 billion



MEDICAID REIMBURSEMENT SHORTFALL

\$1.44 billion

Medicaid reimburses hospitals 27% below the actual cost of providing care. Hospitals subsidize this care.



MEDICARE REIMBURSEMENT SHORTFALL

\$1.66 billion

Medicare reimburses hospitals 18% below the actual cost of providing care. Hospitals subsidize this care.



TOTAL COMMUNITY IMPACT

\$6.2 billion

Minnesota hospitals and health systems contributed \$6.2 billion to their communities in FY 2023.



State Requirements

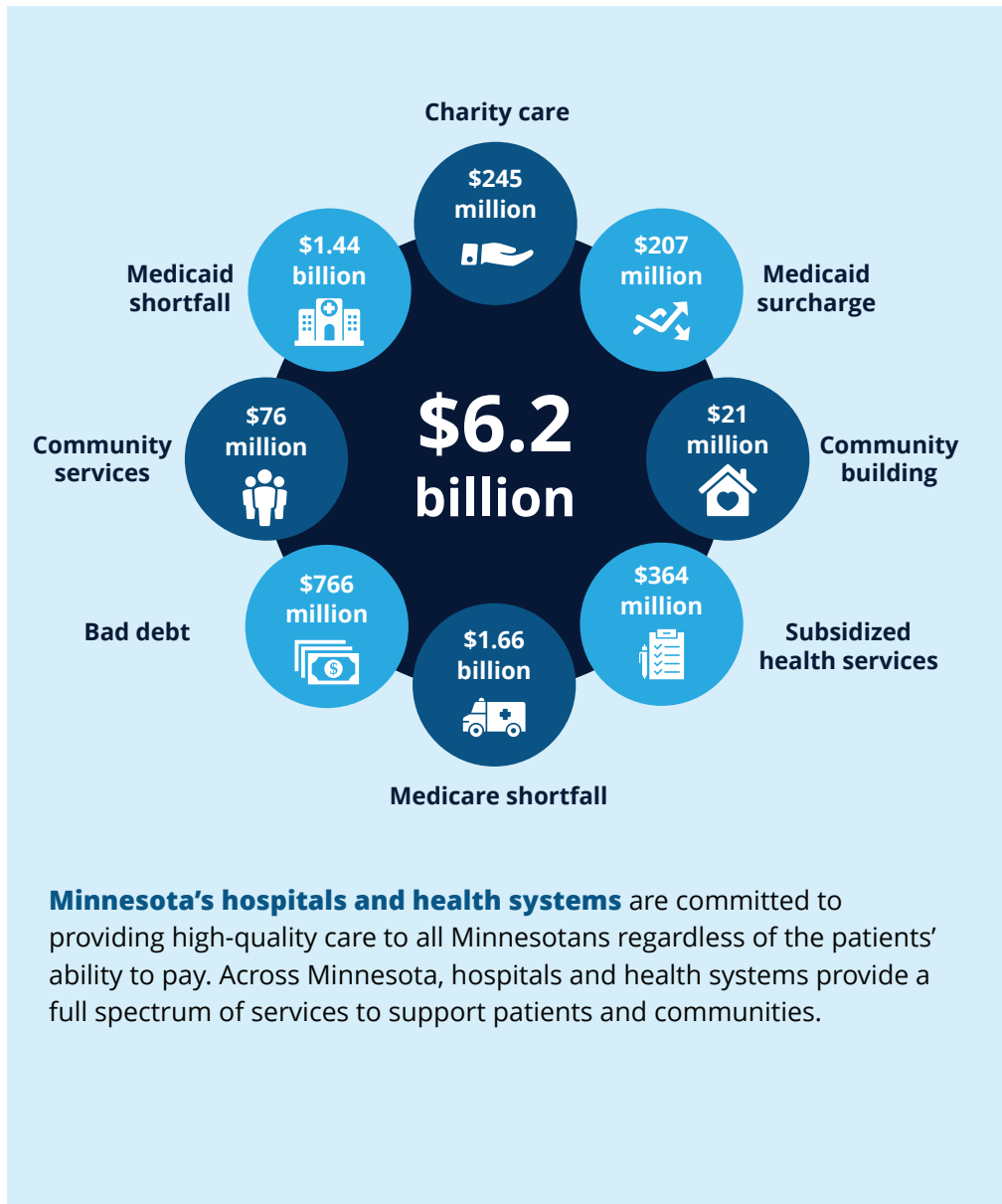
Beginning in 2007, Minnesota state law requires community hospitals¹ to report community benefit spending to the Minnesota Department of Health, as a part of the Hospital Annual Report (HAR). The categories are similar but not identical to the IRS Form 990 Schedule H. A key difference is that the HAR data is reported by each hospital, while the IRS Form 990 Schedule H is health system wide. The similar categories to the IRS include:

- **Charity care**
- **State health care programs underpayments (Medical Assistance and MinnesotaCare)**
- **Operating subsidized services**
- **Community health services cost**
- **Research**
- **Education**
- **Financial and in-kind contributions**

¹ Community hospitals include all hospitals except for Indian Health Services, Veterans Affairs, and specialty/state hospitals.

The additional categories include:

- **Costs of community building activities:** Costs that the hospital incurs to support programs or activities intended to improve the overall community's strength and security. Typical activities include addressing homelessness and poverty, supporting economic development or environmental protection efforts, or improving public spaces through revitalization, art, streets or lighting, or graffiti removal.
- **Costs of community benefit operations:** The cost associated with dedicated staff, and other costs associated with community benefit strategy and operations.



Minnesota's hospitals and health systems are committed to providing high-quality care to all Minnesotans regardless of the patients' ability to pay. Across Minnesota, hospitals and health systems provide a full spectrum of services to support patients and communities.



MHA Community Impact Report

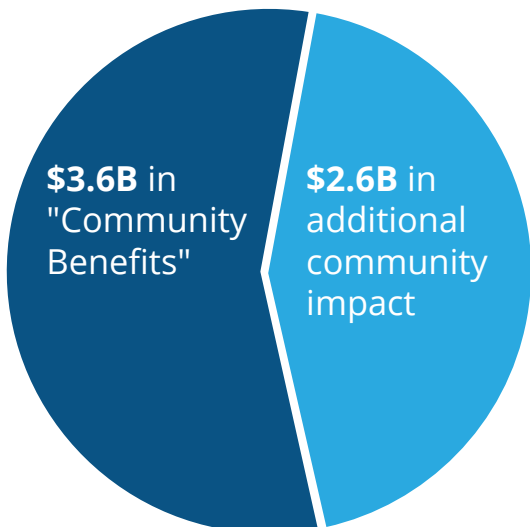
To demonstrate the entire scope of hospitals and health systems' work to improve health and wellbeing in their communities, MHA produces a community impact report with additional categories which are included in the table below.

IRS Defined Community Benefits	Additional State of Minnesota Defined Community Benefits	Other Community Impacts
<ul style="list-style-type: none"> Charity Care Unreimbursed Medicaid Medicaid surcharge MinnesotaCare tax Unreimbursed costs of other means tested government programs Community health improvement services and community benefit operations Subsidized health services Health professional education and workforce development Research Cash and in-kind donations 	<ul style="list-style-type: none"> Costs of community building activities Costs of community benefit operations 	<ul style="list-style-type: none"> Unreimbursed Medicare: The financial loss suffered by hospitals resulting from the difference between payments received from Medicare and the cost of care provided to Medicare enrollees. Bad debt: Charges for care provided to patients who neither pay their share of the hospital bill nor complete the steps necessary to receive charity care or public insurance. Taxes and fees: Property taxes, fees in lieu of taxes and other fees or surcharges paid by hospitals to local or state government.

MHA combines all these categories of spending into one overall number to represent community contributions. MHA also combines charity care and bad debt to represent uncompensated care. This is done to recognize the fact that many patients who potentially need and qualify for financial assistance/charity care, often do not go through the process to fill out the paperwork.

Minnesota's hospitals and health systems are proud to be pillars of their communities and are committed to providing high-quality care to all patients regardless of their ability to pay.

Minnesota hospitals and health systems invested **\$6.2B** into improving the health of their communities. (FY 2023 Community Benefit data)



Community Contributions in Total

Hospital community investments far outpaced the **\$3.6 billion in "community benefits"** as defined by the IRS which includes research, initiatives to address health disparities, community health programs, workforce innovation and Medicaid reimbursement shortfalls.

Beyond the **\$1.4 billion they covered in Medicaid losses, Minnesota's hospitals and health systems covered an additional \$1.66 billion to cover Medicare shortfalls, and more than \$900 million in other uncompensated care**, neither of which are included in the IRS calculation of "community benefit."

That's **\$2.6 billion in care outside the IRS definition.**