



Internal Revenue Service
Department of the Treasury

Report to Congress on Private Tax-Exempt, Taxable, and Government-Owned Hospitals

May 2018



Overview

Section 9007(e)(1) of the Patient Protection and Affordable Care Act (ACA), Public Law 111-148, provides that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall submit to the Committees on Ways and Means, Education and the Workforce, and Energy and Commerce of the House of Representatives and to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate an annual report on the following:

- Information with respect to private tax-exempt, taxable, and government-owned hospitals regarding:
 - Levels of charity care provided.
 - Bad debt expenses.
 - Unreimbursed costs for services provided with respect to means-tested government programs.
 - Unreimbursed costs for services provided with respect to non-means-tested government programs.
- Information with respect to private tax-exempt hospitals regarding costs incurred for community benefit activities.

ACA section 9007(e)(2) provides that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, shall conduct a study on trends in the information required to be reported under ACA section 9007(e)(1) and submit a corresponding report to the same committees referenced above.

This report contains the information required by ACA section 9007(e)(1) for 2014. This report also contains the relevant information with respect to ACA section 9007(e)(2).



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I. Section 9007(e)(1)(A) - Current Year CMS Data

The Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS), collects information with respect to private tax-exempt, taxable, and government-owned hospitals on an annual Hospital and Hospital Health Care Complex Cost Report (Medicare Cost Report).

For Cost Reporting Periods beginning on or after May 1, 2010, private tax-exempt, taxable, and government-owned hospitals are generally required to use Form CMS-2552-10 to complete their Medicare Cost Report. Among the information collected by Form CMS-2552-10 is the information required to be reported by ACA section 9007(e)(1)(A).

CMS publishes, on its CMS Cost Report website¹, data as reported to the Healthcare Cost Report Information System (HCRIS) by Medicare Administrative Contractors (MAC).

Medicare-certified institutional providers are required to submit an annual cost report to a MAC. This annual cost report is submitted after the end of a hospital's fiscal year.

CMS maintains the Medicare Cost Report data in the HCRIS. The data in the tables below are taken from the HCRIS.² The specific source of each item is noted using the line number from the Medicare Cost Report.

A. Levels of charity care provided

For fiscal years beginning in 2014, CMS data from the HCRIS system show the following levels of charity care provided by taxable, private tax-exempt, and government-owned hospitals.³

Table 1: Levels of Charity Care Provided			
Data Elements	Taxable	Private Tax-Exempt ⁴	Gov't-Owned
Cost of charity care ⁵	\$1,159,479	\$10,225,084	\$5,289,100
Total operating expenses ⁶	\$123,156,140	\$621,844,141	\$150,699,011
Total other expenses ⁷	\$930,180	\$8,031,398	\$1,657,666
Percent of hospitals' operating expenses ⁸	0.94	1.64	3.51
Percent of hospitals' total expenses ⁹	0.93	1.62	3.47

¹ <https://www.cms.gov/Research-Statistics-Data-and-Systems/Downloadable-Public-Use-Files/Cost-Reports/>

² CMS Form-2552-10 Hospital Cost Report Files extracted 7/25/17 from the CMS Healthcare Cost Reporting Information System. CMS data files for all years are updated quarterly so the set of hospitals may change with each quarterly update. This includes 1,872 taxable, 3,036 private tax-exempt, and 1,310 government-owned hospitals.

³ CMS Provider Control Type Codes are used for this classification. For this report, Taxable includes "Proprietary, Individual, Corporation, Partnership and Other." Government-Owned includes "Governmental, Federal, City-County, County, State, Hospital District, City, and Other." Private Tax-Exempt includes "Voluntary Nonprofit, Church, and Other." CMS does not identify federally tax-exempt filers. Although most federal tax-exempt organizations are nonprofits, organizing as a nonprofit at the state level does not automatically grant an organization exemption from federal income tax under IRC section 501(c)(3). The Private Tax-Exempt category in Section II of this report encompasses "hospital organizations" described in IRC section 501(c)(3) that operated at least one "hospital facility" reported on Schedule H (Form 990).

⁴ See *supra* note 3.

⁵ "Cost of charity care" is calculated by taking "Cost of initial obligation of patients approved for charity care" (Worksheet S-10, Line 21) and subtracting "Partial payment by patients approved for charity care" (Worksheet S-10, Line 22).

⁶ "Total operating expenses" is from Worksheet G-2, Part II, Line 43.

⁷ "Total other expenses" is from Worksheet G-3, Line 28.

⁸ Calculated by dividing "Cost of charity care" by "Total operating expenses".

⁹ Calculated by dividing "Cost of charity care" by the sum of "Total operating expenses" and "Total other expenses."



Table 1: Levels of Charity Care Provided

Note: Money amounts are in thousands of dollars.

B. Bad debt expenses

For fiscal years beginning in 2014, CMS data from the HCRIS system show the following levels of bad debt expenses provided by taxable, private tax-exempt, and government-owned hospitals.

Table 2: Bad Debt Expenses

Data Elements	Taxable	Private Tax- Exempt ¹⁰	Government- Owned
Cost of non-Medicare bad debt expense ¹¹	\$2,002,503	\$7,869,353	\$4,003,040
Percent of hospitals' operating expenses	1.63	1.27	2.66
Percent of hospitals' total expenses	1.61	1.25	2.63

Note: Money amounts are in thousands of dollars.

C. Unreimbursed costs for services provided with respect to means-tested government programs

For fiscal years beginning in 2014, CMS data from the HCRIS system show the following levels of unreimbursed costs for services provided with respect to means-tested government programs for taxable, private tax-exempt, and government-owned hospitals.

Table 3: Unreimbursed Costs for Services Provided by Means-Tested Programs

Data Elements	Taxable	Private Tax-Exempt ¹²	Government- Owned
Total unreimbursed costs for Medicaid, etc. ¹³	\$2,842,717	\$13,642,732	\$4,053,661
Percent of hospitals' operating expenses	2.31	2.19	2.69
Percent of hospitals' total expenses	2.29	2.17	2.66

¹⁰ See *supra* note 3.

¹¹ "Cost of non-Medicare bad debt expense" is from Worksheet S-10, Line 29.

¹² See *supra* note 3.

¹³ "Total unreimbursed costs for Medicaid, SCHIP, and state and local indigent care programs" is from Worksheet S-10, Line 19. This amount is the sum of the "difference between net revenue and costs" for each of Medicaid (line 8), stand-alone State Children's Health Insurance Program (SCHIP) (line 12), and patients covered by a state or local government program (line 16). The difference between net revenue and costs for Medicaid is calculated by adding inpatient and outpatient payments received or expected for Title XIX of the Social Security Act (Title XIX) covered services delivered during the cost reporting period, net of associated provider taxes or assessments (line 2) and Disproportionate Share (DSH) or supplemental payments the hospital received or expected to receive from Medicaid relating to the cost reporting period not included in line 2, net of associated provider taxes or assessments (line 5), and subtracting that sum from Medicaid cost (line 7), which is calculated by multiplying the cost-to-charge ratio (line 1) by all charges (gross revenue) for Title XIX covered services delivered during the cost reporting period (line 6).



Table 3: Unreimbursed Costs for Services Provided by Means-Tested Programs

Note: Money amounts are in thousands of dollars.

D. Unreimbursed costs for services provided with respect to non-means-tested government programs

For fiscal years beginning in 2014, CMS data from the HCRIS system show the following levels of unreimbursed costs for services provided with respect to non-means-tested government programs for taxable, private tax-exempt, and government-owned hospitals.

**Table 4: Unreimbursed Costs for Services Provided
by Non-Means-Tested Programs**

Data Elements	Taxable	Private Tax- Exempt ¹⁴	Government- Owned
Total unreimbursed costs for Medicare ¹⁵	\$7,093,205	\$5,255,100	\$1,543,477
Percent of hospitals' operating expenses	5.76	0.85	1.02
Percent of hospitals' total expenses	5.72	0.83	1.01

Note: Money amounts are in thousands of dollars.

II. Section 9007(e)(1)(B) – Current Year IRS Data

The IRS Statistics of Income (SOI) Division collects the data required by ACA section 9007(e)(1)(B) from Schedule H, *Hospitals*, of Form 990, *Return of Organization Exempt From Income Tax*. The latest tax year for which data are available is 2014.¹⁶

¹⁴ See *supra* note 3.

¹⁵ Total unreimbursed costs for Medicare defined as total program inpatient costs (CMS Form 2552-10, Worksheet D-1 Line 49) LESS:

- Total payment for inpatient operating costs of Sole Community Hospitals and Medicare Dependent Hospitals (CMS Form 2552-10, Worksheet E, Part A, Line 49).
- Payment for inpatient program capital (CMS Form 2552-10, Worksheet E, Part A, Line 50).
- Exception payment for inpatient program capital (CMS Form 2552-10, Worksheet E, Part A, Line 51).
- Adjusted reimbursable bad debts (CMS Form 2552-10, Worksheet E, Part A, Line 65) PLUS allowable bad debts (CMS Form 2552-10, Worksheet E, Part A, Line 64).

¹⁶ Because hospitals may have fiscal year tax periods that begin in different months in 2014, the information reported in this section reflects activity that occurred between January 2014 and November 2015.



For 2014, SOI data show the following costs reported for community benefit activities with respect to private tax-exempt hospitals.

**Table 5: Charity Care and Certain Other Community Benefits at Cost for Tax Year 2014:
Number and Selected Financial Data by Type of Community Benefit^{17 18}**

Type of Community Benefit	Total community benefit expense	Direct offsetting revenue	Net community benefit expense	Percent of total expense ¹⁹
Total Community Benefits²⁰	\$172,213,256	\$111,506,137	\$62,977,378	8.84
Total charity care and means-tested government programs²¹	\$123,512,011	\$86,744,770	\$38,949,490	5.47
Charity care at cost	15,319,531	2,708,820	12,658,445	1.78
Unreimbursed Medicaid ²²	104,693,859	81,620,448	25,242,171	3.54
Unreimbursed costs—other means-tested government programs	3,498,621	2,415,502	1,048,875	0.15
Total other benefits²³	\$48,701,245	\$24,761,367	\$24,027,888	3.37
Community health improvement services and community benefit operations	3,243,210	576,942	2,662,035	0.37
Health professions education	14,875,429	4,623,635	10,254,879	1.44
Subsidized health services	18,984,929	13,219,817	5,854,880	0.82
Research	9,532,192	6,284,337	3,248,043	0.46
Cash and in-kind contributions to community groups	2,065,485	56,636	2,008,051	0.28
Note: Money amounts are in thousands of dollars. Detail may not add to totals due to rounding.				

¹⁷ Based on Schedule H (Form 990), Part I, Lines 7a-7k data from 2,378 hospital filers that are not "dual-status organizations." Dual-status organizations are government entities that have also been recognized as tax-exempt 501(c)(3) organizations. 66 hospitals were removed from the original data file (Hospital Filer Population N=2,444) because they were identified as dual-status organizations.

¹⁸ Form 990, Schedule H, Part I, Lines 7a-7k, includes optional reporting on the number of activities or programs and the number of persons served. Data are therefore not presented for these items, although these items were reported in the report on 2011 data.

¹⁹ This figure is calculated by taking the "Net community benefit expense" (Schedule H, Part I, Line 7, Column (e)) and dividing by the aggregate amount reported by the population on Form 990, Part IX, Line 25, Column (A), which is "Total functional expenses."

²⁰ Sum of "Total charity care and means-tested government programs" and "Total other benefits."

²¹ Sum of "Charity care at cost," "Unreimbursed Medicaid," and "Unreimbursed costs—other means-tested government programs."

²² "Unreimbursed Medicaid" from Schedule H (Form 990), Part I, Line 7b, column (e) net community benefit expense for Medicaid, calculated per corresponding Worksheet 3, column a. Net community benefit expenses for other means-tested government health programs, such as SCHIP and other federal, state or local health care programs generally are not reflected in this line item but in "Unreimbursed costs—other means-tested government programs." Net community benefit expense for Medicaid (Line 7b, column (e)) is calculated by subtracting direct offsetting revenue (Line 7a, column (d)) from Total community benefit expense (Line 7b, column (c)). Total community benefit expense is calculated as the sum of estimated cost for Medicaid services and Medicaid provider taxes, fees, and assessments paid by the organization (as described in the instructions for Worksheet 3). Estimated cost for Medicaid services is calculated either (i) by multiplying gross patient charges for Medicaid services by the ratio of patient care cost to charges or (ii) based on the organization's cost accounting system or method. Direct offsetting revenue is the sum of net patient service revenue for Medicaid services, revenue from uncompensated care pools or programs, and other revenue (as described in the instructions for Worksheet 3).

²³ Sum of "Community health improvement services and community benefit operations," "Health professions education," "Subsidized health services," "Research," and "Cash and in-kind contributions to community groups."



III. Section 9007(e)(2) – Comparative Data

Pursuant to ACA section 9007(e)(2), this section compares information reported to CMS and IRS under ACA section 9007(e)(1) for 2011 through 2014, the years for which the data are available.²⁴

A. Section 9007(e)(1)(A) CMS data for taxable hospitals

For taxable hospitals,²⁵ levels of charity care provided, bad debt expenses and unreimbursed costs for services provided by non-means-tested programs decreased from 2011 to 2014 when considered as a percentage of total expenses, by 28.8, 10.9 and 5.9 percent, respectively. Levels of unreimbursed costs for services provided by means-tested programs increased as a percentage of total expenses by 29.5 percent.

Table 6: Percent Change in Levels of Charity Care Provided, Bad Debt Expenses, Unreimbursed Costs for Services Provided by Means- and Non-Means-Tested Programs – Taxable Hospitals					
	2011	2012	2013	2014	Overall Change 2011-2014
Levels of Charity Care Provided					
Cost of charity care	\$1,469,017	\$1,592,151	\$1,396,744	\$1,159,479	-21.07
Total operating expenses	\$111,167,469	\$113,736,253	\$116,428,205	\$123,156,140	10.78
Total other expenses	\$715,946	\$554,728	\$861,291	\$930,180	29.92
Percent of hospitals' operating expenses	1.32	1.40	1.20	0.94	-28.75
Percent of hospitals' total expenses	1.31	1.39	1.19	0.93	-28.83

²⁴ To facilitate comparative analysis, 2011, 2012, and 2013 figures are expressed in 2014 dollars throughout this section. "Overall change" information presented in this section reflects the percentage change between the inflation-adjusted base year (2011) amount and the current year (2014) amount for each category presented. Inflation adjustments made using Bureau of Economic Analysis's current-dollar and "real" GDP data from July 2017. Adjustment factors of 0.949268182525563, 0.966762456477258, and 0.982368701263229 applied to 2011, 2012, and 2013 dollar figures, respectively.

²⁵ 1,748 taxable hospitals in 2011, 1,798 taxable hospitals in 2012, 1,846 taxable hospitals in 2013, and 1,872 taxable hospitals in 2014. Table 6 aggregates the 2014 CMS data for taxable hospitals shown in Tables 1-4. The 2011, 2012, and 2013 data are from the corresponding tables in previous Reports to Congress, adjusted as described in footnote 24.



	2011	2012	2013	2014	Overall Change 2011-2014
Bad Debt Expenses					
Cost of non-Medicare bad debt expense	\$2,026,292	\$2,161,936	\$2,250,002	\$2,002,503	-1.17
Percent of hospitals' operating expenses	1.82	1.90	1.93	1.63	-10.79
Percent of hospitals' total expenses	1.81	1.89	1.92	1.61	-10.89
Unreimbursed Costs for Services Provided by Means-Tested Programs					
Total unreimbursed costs for Medicaid, etc.	\$1,978,828	\$2,113,106	\$2,311,845	\$2,842,717	43.66
Percent of hospitals' operating expenses	1.78	1.86	1.99	2.31	29.67
Percent of hospitals' total expenses	1.77	1.85	1.97	2.29	29.53
Unreimbursed Costs for Services Provided by Non-Means-Tested Programs					
Total unreimbursed costs for Medicare	\$6,793,027	\$7,051,627	\$7,046,016	\$7,093,205	4.42
Percent of hospitals' operating expenses	6.11	6.20	6.05	5.76	-5.75
Percent of hospitals' total expenses	6.07	6.17	6.01	5.72	-5.85
Note: Money amounts are in thousands of dollars. Annual percentages shown in the table are rounded figures. The 2011-2014 overall percentage change is calculated using unrounded data.					



B. Section 9007(e)(1)(A) CMS data for private tax-exempt hospitals

For private tax-exempt hospitals,²⁶ levels of charity care provided decreased from 2011 to 2014 by 23.8 percent when considered as a percentage of total expenses. Bad debt expenses and unreimbursed costs for services provided by non-means-tested programs also decreased as a percentage of total expenses. Private tax-exempt hospitals' unreimbursed costs for services provided by means-tested programs increased from 2011 to 2014 by 11.9 percent when considered as a percentage of total expenses.

Table 7: Percent Change in Levels of Charity Care Provided, Bad Debt Expenses, Unreimbursed Costs for Services Provided by Means- and Non-Means-Tested Programs – Private Tax-Exempt Hospitals²⁷

	2011	2012	2013	2014	Overall Change 2011-2014
Levels of Charity Care Provided					
Cost of charity care	\$12,691,334	\$13,303,785	\$12,862,764	\$10,225,084	-19.43
Total operating expenses	586,732,428	594,322,603	606,933,815	621,844,141	5.98
Total other expenses	8,857,740	4,250,070	2,561,621	8,031,398	-9.33
Percent of hospitals' operating expenses	2.16	2.24	2.12	1.64	-23.98
Percent of hospitals' total expenses	2.13	2.22	2.11	1.62	-23.82
Bad Debt Expenses					
Cost of non-Medicare bad debt expense	\$9,197,371	\$9,553,738	\$9,253,453	\$7,869,353	-14.44
Percent of hospitals' operating expenses	1.57	1.61	1.52	1.27	-19.27
Percent of hospitals' total expenses	1.54	1.60	1.52	1.25	-19.10
Unreimbursed Costs for Services Provided by Means-Tested Programs					
Total unreimbursed costs for Medicaid, etc.	\$11,533,609	\$11,770,824	\$12,330,085	\$13,642,732	18.29
Percent of hospitals' operating expenses	1.97	1.98	2.03	2.19	11.61

²⁶ 3,030 private tax-exempt hospitals in 2011, 3,020 private tax-exempt hospitals in 2012, 3,039 private tax-exempt hospitals in 2013, and 3,036 private tax-exempt hospitals in 2014. Table 7 aggregates the 2014 CMS data for private tax-exempt hospitals shown in Tables 1-4. The 2011, 2012, and 2013 data are from the corresponding tables in previous Reports to Congress, adjusted as described in footnote 24.

²⁷ See *supra* note 3.



Table 7: Percent Change in Levels of Charity Care Provided, Bad Debt Expenses, Unreimbursed Costs for Services Provided by Means- and Non-Means-Tested Programs – Private Tax-Exempt Hospitals²⁷

Percent of hospitals' total expenses	1.94	1.97	2.02	2.17	11.85
Unreimbursed Costs for Services Provided by Non-Means-Tested Programs					
Total unreimbursed costs for Medicare	\$7,219,138	\$6,754,415	\$2,509,312	\$5,255,100	-27.21
Percent of hospitals' operating expenses	1.23	1.14	0.41	0.85	-31.32
Percent of hospitals' total expenses	1.21	1.13	0.41	0.83	-31.17
Note: Money amounts are in thousands of dollars. Annual percentages shown in the table are rounded figures. The 2011-2014 overall percentage change is calculated using unrounded data.					

C. Section 9007(e)(1)(A) CMS data for government-owned hospitals

For government-owned hospitals,²⁸ levels of charity care provided, bad debt expenses, unreimbursed costs for services provided by means-tested programs and unreimbursed costs for services provided by non-means-tested programs all decreased from 2011 to 2014 when considered as percentages of total expenses. The percentage decreases ranged from 23.2 percent in the case of bad debt expenses to 47.1 percent in the case of levels of charity care provided.

²⁸ 1,383 government-owned hospitals in 2011, 1,368 government-owned hospitals in 2012, 1,333 government-owned hospitals in 2013, and 1,310 government-owned hospitals in 2014. Table 8 aggregates the 2014 CMS data for government-owned hospitals shown in Tables 1-4. The 2011, 2012, and 2013 data are from the corresponding tables in previous Reports to Congress, adjusted as described in footnote 24.



Table 8: Percent Change in Levels of Charity Care Provided, Bad Debt Expenses, Unreimbursed Costs for Services Provided by Means- and Non-Means-Tested Programs – Government-Owned Hospitals

	2011	2012	2013	2014	Overall Change 2011-2014
Levels of Charity Care Provided					
Cost of charity care	\$9,345,320	\$10,493,389	\$7,210,819	\$5,289,100	-43.40
Total operating expenses	\$140,679,859	\$143,738,322	\$146,453,612	\$150,699,011	7.12
Total other expenses	\$1,691,289	\$1,081,676	\$1,074,243	\$1,657,666	-1.99
Percent of hospitals' operating expenses	6.64	7.30	4.92	3.51	-47.17
Percent of hospitals' total expenses	6.56	7.25	4.89	3.47	-47.11
Bad Debt Expenses					
Cost of non-Medicare bad debt	\$4,873,291	\$4,454,177	\$4,989,837	\$4,003,040	-17.86
Percent of hospitals' operating expenses	3.46	3.10	3.41	2.66	-23.32
Percent of hospitals' total expenses	3.42	3.08	3.38	2.63	-23.24
Unreimbursed Costs for Services Provided by Means-Tested Programs					
Total unreimbursed costs for Medicaid, etc.	\$5,708,800	\$6,854,081	\$4,009,062	\$4,053,661	-28.99
Percent of hospitals' operating expenses	4.06	4.77	2.74	2.69	-33.71
Percent of hospitals' total expenses	4.01	4.73	2.72	2.66	-33.65
Unreimbursed Costs for Services Provided by Non-Means-Tested Programs					
Total unreimbursed costs for Medicare	\$2,377,894	\$2,193,761	\$1,448,441	\$1,543,477	-35.09
Percent of hospitals' operating expenses	1.69	1.53	0.99	1.02	-39.41
Percent of hospitals' total expenses	1.67	1.51	0.98	1.01	-39.34
Note: Money amounts are in thousands of dollars. Annual percentages shown in the table are rounded figures. The 2011-2014 overall percentage change is calculated using unrounded data.					



D. Section 9007(e)(1)(B) Comparative IRS data

Table 9 presents private tax-exempt hospitals' total community benefit expense in 2011 through 2014.²⁹ Total community benefit expense for total community benefit activities increased by 9.5 percent from 2011 to 2014. The percent changes in each sub-category of community benefit activity varied from an increase in unreimbursed Medicaid expenses of 20.6 percent to a decrease in unreimbursed costs - other means-tested government programs of 21.4 percent.

Table 9: Percent Change in Total Community Benefit Expense, 2011 – 2014

Type of Community Benefit	2011	2012	2013	2014	Overall Change 2011-2014
Total Community Benefits	\$157,259,821	\$162,464,072	\$165,180,578	\$172,213,256	9.51
Total charity care and means-tested government programs	\$109,607,359	\$113,888,971	\$116,935,556	\$123,512,011	12.69
Charity care at cost	18,346,160	19,111,989	18,822,921	15,319,531	-16.50
Unreimbursed Medicaid	86,810,210	90,498,318	93,843,287	104,693,859	20.60
Unreimbursed costs - other means-tested government programs	4,450,989	4,278,664	4,269,348	3,498,621	-21.40
Total other benefits	\$47,652,462	\$48,575,101	\$48,265,200	\$48,701,245	2.20
Community health improvement services and community benefit operations	3,191,560	3,246,830	3,266,056	3,243,210	1.62
Health professions education	14,349,340	14,631,440	14,825,573	14,875,429	3.67
Subsidized health services	18,028,106	18,768,581	18,858,903	18,984,929	5.31
Research	9,939,836	10,191,555	9,472,859	9,532,192	-4.10
Cash and in-kind contributions to community groups	2,143,621	1,736,695	1,841,810	2,065,485	-3.65

Note: Money amounts are in thousands of dollars. Annual figures may not add to totals due to rounding.

²⁹ Schedule H (Form 990), Part I, Lines 7a-7k, includes optional reporting on the number of activities or programs and the number of persons served. Comparative data are therefore not presented for these items. See also *supra* note 18. Tables 9-12 include data from 2,469 hospital filers reporting for 2011, 2,421 hospital filers reporting for 2012, 2,417 hospital filers reporting for 2013, and 2,378 hospital filers reporting for 2014.



Table 10 shows the amounts of direct offsetting revenues associated with private tax-exempt hospitals' community benefit activities in 2011 through 2014. Overall, these amounts increased by 21.8 percent. For the reasons described in footnote 30, excluding the "Research" line item from the calculation may facilitate comparative analysis. Excluding Research, the amounts increased by 16.3 percent.

Table 10: Percent Change in Direct Offsetting Revenue, 2011 – 2014 ³⁰					
Type of Community Benefit	2011	2012	2013	2014	Overall Change 2011-2014
Total Community Benefits	\$91,573,509	\$94,850,502	\$102,066,273	\$111,506,137	21.77
<i>Total charity care and means-tested government programs</i>	\$72,884,562	\$75,751,831	\$77,495,879	\$86,744,770	19.02
Charity care at cost	2,634,494	2,859,690	3,175,498	2,708,820	2.82
Unreimbursed Medicaid	67,177,877	70,091,991	71,332,281	81,620,448	21.50
Unreimbursed costs - other means-tested government programs	3,072,192	2,800,150	2,988,100	2,415,502	-21.38
<i>Total other benefits</i>	\$18,688,946	\$19,098,671	\$24,570,304	\$24,761,367	32.49
Community health improvement services and community benefit operations	389,380	329,521	568,616	576,942	48.17
Health professions education	4,623,733	4,605,808	4,669,546	4,623,635	0.00
Subsidized health services	12,553,057	13,038,328	13,133,037	13,219,817	5.31
Research	1,077,479	1,060,348	6,142,584	6,284,337	483.24
Cash and in-kind contributions to community groups	45,296	64,666	56,520	56,636	25.04
Note: Money amounts are in thousands of dollars. Annual figures may not add to totals due to rounding.					

³⁰ Amounts of various sub-categories may be affected by a change to the 2013 Instructions for Schedule H (Form 990) regarding the calculation of direct offsetting revenue. Through 2012, the Instructions provided, "Direct offsetting revenue **does not include restricted** or unrestricted grants or contributions that the organization uses to provide a community benefit." (Emphasis added.) Commenters suggested treating restricted grants as offsetting revenue consistent with Generally Accepted Accounting Principles (GAAP). The relevant instruction for 2013 and 2014 stated, "Direct offsetting revenue' also **includes restricted grants** or contributions that the organization uses to provide a community benefit, such as a restricted grant to provide financial assistance or fund research. 'Direct offsetting revenue' does not include unrestricted grants or contributions that the organization uses to provide a community benefit." (Emphasis added.)



Table 11 shows private tax-exempt hospitals' net community benefit expense in 2011 through 2014. Net community benefit expense for total community benefit activities decreased by 4.3 percent from 2011 to 2014. For the reasons described in footnote 30, excluding the "Research" line item from the calculation may facilitate comparative analysis. Excluding Research, the net community benefit expense increased by 4.9 percent.

Table 11: Percent Change in Net Community Benefit Expense, 2011 – 2014 ³¹					
Type of Community Benefit	2011	2012	2013	2014	Overall Change 2011-2014
Total Community Benefits	65,801,606	67,699,072	63,087,338	62,977,378	-4.29
Total charity care and means-tested government programs	36,927,448	38,195,785	39,390,022	38,949,490	5.48
Charity care at cost	15,813,633	16,313,512	15,643,188	12,658,445	-19.95
Unreimbursed Medicaid	19,738,144	20,410,592	22,483,669	25,242,171	27.89
Unreimbursed costs—other means-tested government programs	1,375,670	1,471,682	1,263,165	1,048,875	-23.76
Total other benefits	28,874,159	29,503,287	23,697,316	24,027,888	-16.78
Community health improvement services and community benefit operations	2,801,131	2,917,118	2,705,359	2,662,035	-4.97
Health professions education	9,725,650	10,025,622	10,155,277	10,254,879	5.44
Subsidized health services	5,386,679	5,727,879	5,721,209	5,854,880	8.69
Research	8,862,286	9,131,209	3,330,362	3,248,043	-63.35
Cash and in-kind contributions to community groups	2,098,413	1,701,459	1,785,110	2,008,051	-4.31
Note: Money amounts are in thousands of dollars. Annual figures may not add to totals due to rounding.					

³¹ See *supra* note 30.



Table 12 shows private tax-exempt hospitals' net community benefit expense as a percentage of total expenses in 2011 through 2014. Net community benefit expense for total community benefit activities as a percentage of total expenses decreased by 8.6 percent from 2011 to 2014.³² For the reasons described in footnote 30, excluding the "Research" line item from the calculation may facilitate comparative analysis. Excluding Research, the net community benefit expense as a percentage of total expenses increased by 0.1 percent.

Table 12: Percent Change in Percentage of Total Expense, 2011 – 2014³³

Type of Community Benefit	2011	2012	2013	2014	Overall Change 2011-2014
Total Community Benefits	9.67	9.84	9.04	8.84	-8.58
<i>Total charity care and means-tested government programs</i>	5.42	5.55	5.64	5.47	0.81
Charity care at cost	2.32	2.37	2.24	1.78	-23.49
Unreimbursed Medicaid	2.90	2.97	3.22	3.54	22.23
Unreimbursed costs - other means-tested government programs	0.20	0.21	0.18	0.15	-27.13
<i>Total other benefits</i>	4.24	4.29	3.39	3.37	-20.46
Community health improvement services and community benefit operations	0.41	0.42	0.39	0.37	-9.17
Health professions education	1.43	1.46	1.45	1.44	0.78
Subsidized health services	0.79	0.83	0.82	0.82	3.89
Research	1.30	1.33	0.48	0.46	-64.97
Cash and in-kind contributions to community groups	0.31	0.25	0.26	0.28	-8.54

Note: Annual percentages shown in the table are rounded figures. Total charity care and means-tested government programs, total other benefits, and the 2011-2014 overall percentage changes are calculated using unrounded data.

³² See *supra* Table 5 for net community benefit expense.

³³ See *supra* note 30.



Future Reports

The IRS will continue to issue this report annually as required by ACA section 9007(e). The next report will include CMS and SOI data from 2015.