Not-for-Profit Hospital Talking Points

- The not-for-profit designation recognizes the valuable work performed by charitable, religious, cultural, educational and other organizations, including hospitals.

- Consistent with the 501(c)3 designation, a tax-exempt organization may not be organized or operated for the benefit of private interests and no part of the organization’s net earnings may inure to the benefit of any private shareholder or individual.

- Eliminating not-for-profit status for hospitals would increase the cost of health care and would limit the hospital’s ability to invest in new services, technology, replace old facilities and train the next generation of medical professionals.

- If hospitals paid income tax on net income, hospitals would have no choice but to raise prices at a faster rate in order to cover current expenses but also to cover the new expense of taxes. Taxes could include federal income taxes, federal excise taxes, state income taxes, state sales taxes, local property taxes, and in some instances, other county, city and local taxes.

- Health care is the core mission of not-for-profit hospitals. Hospitals report annually on community benefit, which includes charity care, the uncovered cost of Medicaid, medical education, research and other factors. The Internal Revenue Service requires that hospitals conduct a Community Health Needs Assessment (CHNA) every three years and identify those areas it intends to address and those that it will not address, and why.

- Many of these community health efforts involve partnerships with other local partner agencies and address social determinants of health. In many cases, hospitals are already investing significant amounts of available, unrestricted investments in their service area.

- Requiring hospitals to annually invest an arbitrary percentage of unrestricted assets into the facility/system “service area” (click here to read **SB 448**) would detract from the hospital’s core mission of health care services. It also could result in investments being made in projects that the federal government deems as not investment worthy – such as those that benefit a private interest or investor - which could raise questions from the federal government regarding the hospital's not-for-profit status.

- Requiring a set percentage also assumes that hospitals have no fluctuations in investment income and earnings, which is not accurate. Ratings agencies assess the financial health of hospitals on an annual basis and assign them a rating. The bond rating of a not-for-profit institution determines its ability to issue bonds and make investments in the community.

- A not-for-profit institution like a hospital cannot issue stock, so access to capital through the bond market is the lifeblood of the organization.

- If a hospital experiences a downgrade, as has happened with some Indiana facilities, and also is required to meet a specific threshold in community investments, this could jeopardize its core mission of providing health care services. The hospital would have no other alternative other than to increase prices, discontinue services, merge with a larger entity, or cease operations.

- Setting an investment threshold would put at great risk rural not-for-profit hospitals as well as those that serve impoverished communities. These facilities are very fragile and for many it is a daily struggle to continue to provide services. Setting an arbitrary level could well mean the difference between keeping the doors open or closing altogether.

- Finally, hospitals are already great partners with their local elected officials, economic development leaders, and other community stakeholders. Mandates are not needed and will have harmful, unintended consequences.

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