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Despite Generous Tax Benefits, Nonprofit Hospitals Employ Predatory Practices

Billions Billed to Patients Eligible for Financial Assistance and Aggressive Collections of Medical Debt, Including Bills Not Owed

Non-profit hospitals receive "significant financial benefits" by following a set of IRS requirements to maintain tax-exempt status, including "providing financial assistance to patients who cannot afford to pay for medical care" and "refraining from certain debt collection activity before patients have been evaluated for financial assistance," yet still more than 100 million adult Americans are currently facing medical and dental debt.

In the U.S., 58% of the more than 5,000 community hospitals are classified as non-profits. These hospitals receive significant financial benefits, including exemptions from federal income tax. To receive and maintain tax-exempt status, non-profit hospitals must follow a set of IRS requirements. Some of the key requirements include providing financial assistance to patients who cannot afford to pay for medical care, publicizing the availability of this assistance widely in plain language, and refraining from certain debt collection activity before patients have been evaluated for financial assistance." [CFPB, 10/01/24]

However, an analysis has found that non-profit hospitals have billed at least $2.7 billion from patients that were eligible for financial assistance, with other estimates suggesting the actual figure could be significantly higher as hospitals in North Carolina and Providence Health Care System provide examples of how pervasive the issue is, having allegedly inappropriately billed $149.2 million and $158 million from low-income patients who would have qualified for charity care.

Non-profit hospitals have billed at least $2.7 billion from patients that were eligible for financial assistance, with other estimates suggesting the actual figure could be significantly higher. "Evidence suggests that many patients who are eligible for financial assistance under existing hospital policies don't receive it. An analysis of non-profit hospitals found at least $2.7 billion in medical bills that were eligible for financial assistance but were still billed to patients. This analysis likely underestimates the actual gap between the financial assistance patients are eligible for and what they receive, as it uses self-reported data from hospitals and includes only a portion of non-profit hospitals. Other estimates suggest the actual figure could be significantly higher." [CFPB, 10/01/24]

These bills are being recovered by nearly half of nonprofit hospital organizations, operating 1,651 hospitals, representing a tenth of all non-profit hospital bad debt. "And yet nearly half — 45% — of nonprofit hospital organizations are routinely sending medical bills to patients whose incomes are low enough to qualify for charity care, according to a Kaiser Health News analysis of reports the nonprofits submit annually to the Internal Revenue Service. Those 1,134 organizations operate 1,651 hospitals. Together, they estimated they had given up collecting $2.7 billion in bills sent to patients who probably would have qualified for financial assistance under the hospitals' own policies if they had filled out the applications. These written-off bills, known as bad debt, represented a tenth of all nonprofit hospital bad debt reported to the IRS in either 2017 or the most recent year for which data is available." [Kaiser Family Foundation, 10/14/19]

In 2022, North Carolina nonprofit hospitals were alleged to be billing poor patients at an average rate to up to three times the national average, having billed $149.2 million to patients who should have qualified for charity care. "North Carolina's nonprofit hospitals are billing poor patients at an average rate up to three times the national average. [...] Some of North Carolina's nonprofit hospitals have billed $149.2 million to poor patients who should have qualified for free or discounted charity care under the hospitals' own policies in fiscal year 2019. This is an underestimate that accounts for only one in six hospitals in the state." [North Carolina State Treasurer Bradford B. Briner, 01/26/22]

In 2024, Providence Health Care System in Seattle, W.A. erased or refunded $158 million in medical bills to settle the state's allegations that they had overcharged patients and used aggressive collection tactics to recover when they failed to pay. "Providence health care system is refunding nearly $21 million in medical bills paid by low-income residents of Washington — and it's erasing $137 million more in outstanding debt for tens of thousands of others — to settle the state's allegations that it overcharged those patients and then used aggressive collection tactics when they failed to pay." [The Associated Press, 02/01/24]

● **Providence trained staff not to accept when patients reported they could not afford their bills.** "'Providence trained its staff not to accept it when patients said they couldn't afford the bills,' Ferguson said. 'Hospitals — especially nonprofits like Providence — get tax breaks and other benefits with the expectation that they are helping everyone have access to affordable health care,' Ferguson said at a news conference. "When they don't, they're taking advantage of the system to their benefit.'" [Associated Press, 02/01/24]

Once patients have been overcharged, more than two-thirds of hospitals often use aggressive collection tactics to sue the patients or pursue other devastating actions against them, with examples like UCHealth bringing more than 15,700 lawsuits against Colorado patients who reported not having easy access to hospital prices from 2019 through 2023 and North Carolina hospitals bringing 5,922 lawsuits to collect $57.3 million in medical debt, the vast majority coming from 5 hospitals that offered less charity care than the estimated value of the nonprofit hospital's tax exemption.

More than two-thirds of hospitals often use aggressive collection tactics to sue the patients or pursue other devastating actions against them. "Some hospitals did not respond to multiple requests for information. But KHN was able to gather details about most. From them, a picture emerges of a minefield for patients where a trip to the hospital can not only produce jaw-dropping bills but also expose patients to legal risks that jeopardize their livelihood. Among the findings: more than two-thirds sue patients or take other legal action against them, such as garnishing wages or placing liens on property; a similar share of the hospitals report patients with outstanding bills to credit rating agencies, putting patients' credit scores and their ability to rent an apartment, buy a car, or get a job at risk; [...] nearly 40% of all hospitals researched make no information available on their websites about their collection activities, although KHN in some cases was able to obtain the information through repeated requests." [Kaiser Family Foundation, 12/21/22]

May 2025: Patientsrightsadvocate.org released a report on how UCHealth brought more than 15,700 lawsuits against Colorado patients who reported not having easy access to hospital prices from 2019 through 2023. "Today, PatientRightsAdvocate.org (PRA) released a joint report with George Washington University (GWU) and Stanford University School of Medicine (Stanford) detailing how nonprofit health system UCHealth brought more than 15,700 lawsuits against Colorado patients from 2019 through 2023 for medical debt. Patients who were sued reported not having easy access to prices, blocking them from verifying the accuracy of hospital charges." [PatientsRightsAdvocate.Org via PR Newswire, 05/30/25]

From January 2017 through June 2022, North Carolina hospitals brought nearly 6,000 lawsuits to collect $57.3 million in medical debt for an average of $16,623 per judgment. "From January 2017 through June 2022, North Carolina hospitals brought 5,922 lawsuits to collect medical debt against 7,517 patients and family members. These actions were brought in small claims court, state district, and state superior courts, and generated 3,449 judgments for hospitals totaling $57.3 million, or an average of $16,623 per judgment." [Duke University, 08/14/23]
● **The vast majority of these lawsuits came from 5 hospitals that offered less charity care than the estimated value of the nonprofit hospital's tax exemption.** "A small subset of North Carolina's hospitals were responsible for a vast majority of lawsuits. Five hospital systems filed 96.5% of the collection actions over the studied time period. Additionally, nonprofit hospitals initiated 90.6% of the lawsuits against patients. Hospitals that filed more than 40 lawsuits — which we denote as "litigious hospitals" — exhibited an average charge-to-cost ratio (a metric of price markups) of 480.5%, compared to a national average of 417% in 2018, and an average net profit margin of 12% from 2017 to 2022. These hospitals also offered less charity care than the estimated value of a nonprofit hospital's tax exemption." [Duke University, 08/14/23]

In 2023 the government accountability office found that community benefit standards for tax-exempt nonprofit hospitals were poorly defined, while over a dozen states had considered or passed legislation to better define charity care by nonprofit hospitals and increase transparency into their operations.

Most U.S. Hospitals Are Tax-Exempt Organizations, And Hospitals Were The Largest U.S. Industry As Of 2023, With Total Annual Revenues Of Over $1.4 Trillion.

As of 2023, hospitals were the largest U.S. industry, with annual revenues of over $1.4 trillion—most U.S. hospitals are tax-exempt organizations. "Hospitals are the largest industry in the United States with annual revenues exceeding $1.4 trillion. The majority of U.S. hospitals are organized as tax-exempt institutions. They are exempt from paying federal and state income tax, sales tax, and property tax, and enjoy other tax-related benefits such as the ability to issue tax-free bonds and receive charitable contributions that allow donors to receive a tax deduction." [U.S. House Committee on Ways and Means, 04/23/23]

In 2023, The Government Accountability Office (GAO) Found That Community Benefit Standards For tax-exempt hospitals were poorly defined—notably, the gao found that 30 nonprofit hospitals enjoyed tax breaks in 2016 "despite reporting no spending on community benefits."

The Government Accountability Office (GAO) has found that community benefit standards for nonprofit hospitals are poorly defined, with a GAO director saying "'they're not requirements'" and "'it's not clear what a hospital has to do to justify a tax exemption.'" "Still, the Government Accountability Office, a congressional watchdog agency, argues that community benefit is poorly defined. 'They're not requirements,' said Jessica Lucas-Judy, a GAO director. 'It's not clear what a hospital has to do to justify a tax exemption. What's a sufficient benefit for one hospital may not be a sufficient benefit for another.'" [CNN, 07/10/23]

● In 2020, The GAO Reported That 30 Nonprofit Hospitals Enjoyed Tax Breaks In 2016 "Despite Reporting No Spending On Community Benefits." "The GAO, in a 2020 report, said it found 30 nonprofit hospitals that got tax breaks in 2016 despite reporting no spending on community benefits." [CNN, 07/10/23]

● **Federal law defines community benefit spending for nonprofit hospitals, but does not set a requirement for how much hospitals must spend on community benefits.** "Federal law defines the sort of spending that can qualify as a community benefit but does not stipulate how much hospitals need to spend. The range of community benefit activities, reported by hospitals on IRS forms, varies considerably by organization." [CNN, 07/10/23]

The GAO found that the IRS "Faces Substantial Operational Challenges" In overseeing community benefits provided by hospitals and using them to determine hospitals' tax-exempt eligibility. "In 2020, the Government Accountability Office reported that the IRS faces substantial operational challenges in overseeing these activities and using them to determine tax-exempt eligibility." [Testimony before the U.S. House Committee on Ways and Means, 04/23/23]

As of 2023, over a dozen states had considered or passed legislation to better define charity care in order to increase transparency of nonprofit hospitals. "More than a dozen states have considered or passed legislation to better define charity care, to increase transparency about the benefits hospitals provide, or, in some cases, to set minimum financial thresholds for charitable help to their communities." [CNN, 07/10/23]

● **Pennsylvania enacted a law requiring nonprofit hospitals to prove they are "a 'purely public charity' and pass a five-pronged test."** "Pennsylvania, though, has a unique but strong law, Bai said, requiring hospitals to prove they are a 'purely public charity' and pass a five-pronged test. That may make the state an easier place to challenge tax exemptions, Bai said. This year, the Pittsburgh mayor challenged the University of Pittsburgh Medical Center over the tax-exempt status of some of its properties." [CNN, 07/10/23]

● **Oregon passed legislation to set floors on nonprofit hospitals' community benefit spending, based on their expenditures and operating profit margins.** "In 2019, Oregon passed legislation to set floors on community benefit spending largely based on each hospital's past expenditures as well as its operating profit margin." [CNN, 07/10/23]

● **Illinois and Utah created spending requirements for nonprofit hospitals based on property taxes they would have faced if they were for-profit organizations.** "Illinois and Utah created spending requirements for hospitals based on the property taxes they would have been assessed as for-profit organizations." [CNN, 07/10/23]

● **Montana proposed setting standards for community benefit spending by nonprofit hospitals, but the effort was scuttled after the Montana Hospital Association opposed the plan.** "Montana's state health department proposed developing standards for community benefit spending after a 2020 legislative audit found nonprofit hospitals' reporting vague and inconsistent. But the Montana Hospital Association opposed the plan, and the idea was dropped from the bill that passed." [CNN, 07/10/23]

Multiple studies in recent years have shown that nonprofit hospitals receive more in tax benefits than they spend on charity care, fail to increase charity care despite rising profits and cash reserves, and spend significantly less on charity care than for-profit hospitals.

A 2025 Study Of Over 1,800 Nonprofit Hospitals Found That Over Half Received More In Tax Benefits Than They Spent On Community Investments, With These Hospitals Receiving A Total Of $11.5 Billion More In Benefits Than They Gave.

● **An April 2025 study of over 1,800 nonprofit hospitals by The Lown Institute found that over half (54%) received more in tax benefits than they spent on community investments—The Lown Institute reported that these hospitals' "fair share deficit" totaled $11.5 billion a year.** "The Lown Institute examined the federal, state, and local tax benefits of more than 1,800 nonprofit hospitals across twenty states and compared them to hospital spending on meaningful community investment. This analysis uses 2020–2022 data from Internal Revenue Service (IRS) tax returns, Centers for Medicare & Medicaid Services (CMS) hospital cost reports, and local property assessment portals. [...] Most hospitals (54%) received more in tax benefits than they spent on meaningful community investments—what we call having a 'fair share deficit.' The total fair share deficit of these hospitals amounted to $11.5 billion per year." [Lown Institute, April 2025]

● **Twelve of these hospitals had fair share deficits of over $100 million, with many of these hospitals reporting nearly $1 billion in profits, billions of dollars in tax-exempt property, and hundreds of millions of dollars in donations yearly.** "Twelve hospitals in our data set had fair share deficits greater than $100 million; these hospitals alone make up nearly 20% of the nation's total fair share deficit. Many of these hospitals made close to $1 billion in profits, own billions worth of tax-exempt property, and received hundreds of millions in donations each year." [Lown Institute, April 2025]

● **The Lown Institute noted that the total fair share deficit among these hospitals was "enough to feed more than a third of all food-insecure people in the country, build 150,000 more affordable housing units, triple clean energy investments in low-income communities, or wipe out medical debt for nearly 10 million Americans."** "The amount of the fair share deficit is enough to feed more than a third of all food-insecure people in the country, build 150,000 more affordable housing units, triple clean energy investments in low-income communities, or wipe out medical debt for nearly 10 million Americans." [Lown Institute, April 2025]

A 2023 study found "no corresponding increase in charity care" by nonprofit hospitals despite their profits and cash reserves growing between 2012 and 2019. "Using the National Academy of State Health Policy Hospital Cost Tool, we compared changes in hospital profits with changes in hospitals' charity care and cash reserves between 2012 and 2019. We estimated substantial growth in nonprofit hospital operating profits and cash reserves in this period but no corresponding increase in charity care." [Health Affairs, June 2023]

● **The 2023 study was titled "Nonprofit Hospitals: Profits And Cash Reserves Grow, Charity Care Does Not"** [Health Affairs, June 2023]

● **The study also noted nonprofit hospitals' profits growing despite news coverage showing**

"some nonprofit health systems [were] reducing staff, demanding payment from patients who qualify for charity care, and shifting services from low-income to high-income neighborhoods." "Nonprofit hospitals are exempt from paying most federal and state taxes, can issue tax-exempt bonds, and can receive tax-deductible contributions, with the expectation that they will direct proceeds to community benefit. Yet recent news articles assert that some nonprofit health systems are reducing staff, demanding payment from patients who qualify for charity care, and shifting services from low-income to high-income neighborhoods, while increasing profits." [Health Affairs, June 2023]

● **The study said, "With Operating Profits For Nonprofit Hospitals Growing, The Share Of Community Health Benefits They Provide Should Also Be Growing To Justify Their Favorable Tax Treatment."** "With operating profits for nonprofit hospitals growing, the share of community health benefits they provide should also be growing to justify their favorable tax treatment." [Health Affairs, June 2023]

A 2023 study showed that nonprofit hospitals enjoyed a total of over $28 billion in tax exemptions in 2020, representing about 44% of their net income that year, and that the total value of their exemptions soared from $19 billion in 2011 to $28 billion in 2020.

2023: KFF released a study showing that nonprofit hospitals enjoyed a total of $28 billion in tax exemptions in 2020, representing about 44% of their net income that year. "We recently estimated the value of tax exemption for nonprofit hospitals to provide context for debates about the adequacy of community benefits provided by these facilities. [...] We estimated that the total value of tax exemption for nonprofit hospitals was about $28 billion in 2020 (Figure 1) .2 This represented over two-fifths (44%) of net income (i.e., revenues minus expenses) earned by nonprofit facilities in that year." [Testimony before the U.S. House Committee on Ways and Means, 04/26/23]

● **The KFF report, titled "The Estimated Value Of Tax Exemption For Nonprofit Hospitals Was About $28 Billion in 2020," Was Published In March 2023. [KFF, 03/14/23]**

Nonprofit hospitals enjoyed $14.4 billion in federal tax exemptions and $13.7 billion in state and local tax exemptions in 2020: [Testimony before the U.S. House Committee on Ways and Means, 04/26/23]

KFF found that the value of nonprofit hospitals' tax exemption grew from $19 billion in 2011 to $28 billion in 2020. "We also found that the value of tax exemption grew over time from about $19 billion in 2011 to about $28 billion in 2020 (Figure 2)." [Testimony before the U.S. House Committee on Ways and Means, 04/26/23]

The KFF study also found that the $28 billion in tax exemptions enjoyed by nonprofit hospitals greatly exceeded their $16 billion total charity care costs: [Testimony before the U.S. House Committee on Ways and Means, 04/26/23]

A 2022 study found 86% of nonprofit hospitals provided less charity care than they received in tax benefits.

A 2022 study found that 86 percent of nonprofit hospitals did not provide more charity care than the value of their tax exemption and spend proportionally less on charity care than for-profit hospitals. "Similarly, previous research has found that 86 percent of nonprofit hospitals did not provide more charity care than the value of their tax exemption. Moreover, nonprofit hospitals have been found to have lower ratios of charity care to total expenses than for-profit hospitals." [Health Affairs, June 2023]

● **The 2022 study was titled "Comparing The Value Of Community Benefit And Tax-Exemption In Non-Profit Hospitals."** "Zare H, Eisenberg MD, Anderson G. Comparing the value of community benefit and tax-exemption in non-profit hospitals. Health Serv Res. 2022;57(2):270–84." [Health Affairs, June 2023]

A 2021 study found nonprofit hospitals spent significantly less on charity care than for-profit hospitals, with nonprofits spending only $2.30 of every $100 in total expenses on charity care and for-profits spending $3.80.

A 2021 study concluded that "Nonprofit Hospitals Have Been Found To Have Lower Ratios Of Charity Care To Total Expenses Than For-Profit Hospitals," finding that nonprofit hospitals spent only $2.30 of every $100 in total expenses on charity care, compares to $3.80 by for-profit hospitals and $4.10 by government hospitals. "Moreover, nonprofit hospitals have been found to have lower ratios of charity care to total expenses than for-profit hospitals." [Health Affairs, June 2023]

● **The 2021 study was titled "Analysis Suggests Government and Nonprofit Hospitals' Charity Care Is Not Aligned With Their Favorable Tax Treatment."** "Bai G, Zare H, Eisenberg MD, Polsky D, Anderson GF. Analysis suggests government and nonprofit hospitals' charity care is not aligned with their favorable tax treatment. Health Aff (Millwood). 2021;40(4):629–36." [Health Affairs, June 2023]

● **The study found that nonprofit hospitals only spent $2.30 of every $100 in total expenses on charity care, significantly less than for-profit hospitals ($3.80 for every $100) and government hospitals ($4.10).** "In aggregate, nonprofit hospitals spent $2.3 of every $100 in total expenses incurred on charity care, which was less than government ($4.1) or for-profit ($3.8) hospitals." [Health Affairs, April 2021]

A 2020 Study Found That The Top 5% Most Profitable Nonprofit Hospitals Generated Over Half Of All Profit Made By Nonprofit Hospitals, But These Top Hospitals Provided Only 20% Of Total Charity Care. **A 2020 study found that the top 5% most profitable nonprofit hospitals accounted for over half of all profit generated by all nonprofit hospitals but provided only 20% of total charity care.** "In my coauthored study published in JAMA Internal Medicine, we found that the top 5% tax-exempt hospitals with the highest profit accounted for more than half of the total profit generated by all tax-exempt hospitals but provided only approximately 20% of total charity care." [Testimony before the U.S. House Committee on Ways and Means, 04/23/23]

● **The 2020 study was titled "Charity Care Provision by US Nonprofit Hospitals**" [JAMA Internal Medicine, 02/17/20]