

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1541 (Delegate Ebersole, *et al.*)
 Health and Government Operations

Disclosure of Tax Benefits - Nonprofit Hospitals

This bill requires each nonprofit hospital to submit to the Comptroller each year an itemized list of the tax benefits the hospital received during the previous year. The Comptroller must (1) review each itemized list; (2) prepare a report summarizing the aggregate value of the tax benefits received by each nonprofit hospital; and (3) post the report on the Comptroller’s website. The Comptroller, in consultation with the employee group designated as the exclusive representative for nonprofit hospital employees, must adopt regulations necessary to carry out the provisions of the bill, including regulations that establish (1) formatting standards for the required itemized list and (2) the date each year by which a nonprofit hospital must submit the required itemized list. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by \$150,000 in FY 2019. Revenues are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	150,000	0	0	0	0
Net Effect	(\$150,000)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Each nonprofit hospital must submit an annual community benefit report to the Health Services Cost Review Commission detailing the community benefits provided by the hospital during the preceding year. The report must include the hospital's mission statement; the initiatives undertaken by the hospital, including costs, objectives, and efforts taken to evaluate effectiveness; a description of gaps in the availability of specialist providers to serve the uninsured in the hospital; and the hospital's efforts to track and reduce health disparities in the community.

There are approximately 55 nonprofit hospitals in Maryland. Section 501(c)(3) of the Internal Revenue Code identifies as tax-exempt those organizations that are organized and operated exclusively for specific purposes, including religious, charitable, scientific, and educational purposes. Nonprofit hospitals receive many benefits from their tax-exempt status. They are generally exempted from federal income and unemployment taxes, as well as State and local income, property, and sales taxes. In addition, they are allowed to raise funds through tax-deductible donations and tax-exempt bond financing.

The most recent [Maryland Hospital Community Benefit Report](#), released in May 2017, notes that Maryland hospitals provided just over \$1.5 billion in total community benefit activities in fiscal 2016 – representing a slight increase over the fiscal 2015 total. The total includes \$492.7 million in mission-driven health care services (subsidized health services), \$469.3 million in health professions education, \$320.9 million in charity care, \$107.2 million in community health services, \$6.6 million in unreimbursed Medicaid expenses, \$24.7 million in community-building activities, \$20.8 million in financial contributions, \$13.4 million in community benefit operations, \$9.6 million in research activities, and \$1.7 million in foundation-funded community benefits.

State Fiscal Effect: The Comptroller's Office will need to hire a consultant with knowledge of the health care industry to assist the office with developing a process for receiving and reviewing reports from nonprofit hospitals. As a result, State expenditures will increase by \$150,000 in fiscal 2019. Once the process is in place, the Comptroller's Office will be able to manage the reporting and posting requirements with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 994 (Senator Peters, *et al.*) - Finance.

Information Source(s): Comptroller's Office; Maryland Department of Health;
Department of Legislative Services

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