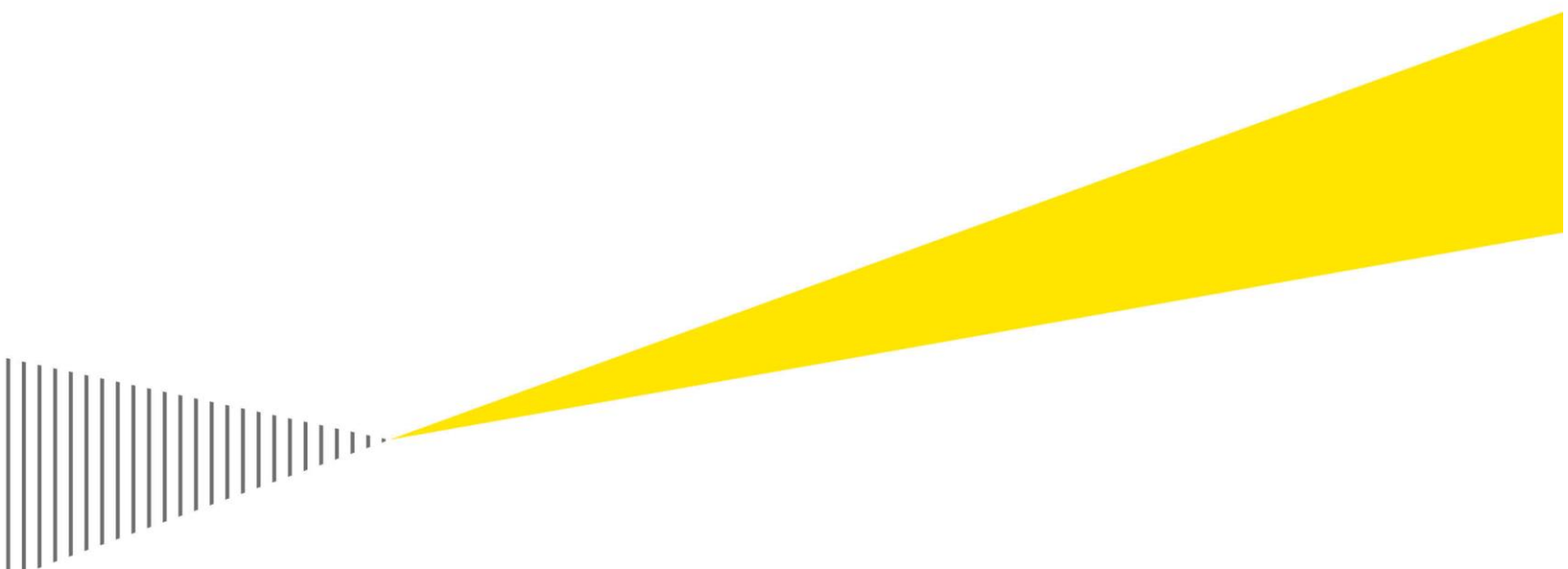


Community Benefits Provided by Tax-Exempt Hospitals in Connecticut (2019 to 2022)

Prepared for the Connecticut Hospital Association

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Executive summary

This report provides an estimate of the community benefit expenses provided by Connecticut not-for-profit, tax-exempt hospitals (“tax-exempt hospitals”), as well as these benefits as a percentage of total expenses from 2019 to 2022.¹ Connecticut has 27 acute care hospitals and systems, of which 23 are tax-exempt entities, three are for-profit taxable entities, and one is a governmental entity.²

As part of their charitable missions, the 23 Connecticut tax-exempt hospitals provided community benefits totaling nearly \$1.8 billion in expenses in 2022, including almost \$1.1 billion in unreimbursed costs for Medicaid patients. On average, the total community benefit provided by Connecticut tax-exempt hospitals represented 11.8% of their total expenses in 2022. These community benefit expenses as a percentage of their total expenses ranged from 11.6% to 13.5% between 2019 to 2022, which was higher than the total community benefit percentage for tax-exempt hospitals in New England (range from 8.8% to 10.6%) and across the US in the respective years (range from 10.3% to 11.3%).

This report uses IRS Forms 990, Schedule H data to present the types of community benefit provided by these 23 tax-exempt hospitals, including their total amount of community benefit and that community benefit’s percentage of their total expenses. This report then compares their community benefit percentages relative to tax-exempt hospitals in New England and across the US.

¹ Consistent with the Connecticut Office of Health Strategy, this report uses filing year (the year after fiscal year end for calendar year filers and the fiscal year end for all other filers). The Internal Revenue Service utilizes a tax year which corresponds to when a filer’s fiscal year begins. For this reason, filing year will be one year ahead of the corresponding IRS tax year. External report references in this study have been shifted to match filing year.

² Results are shown for the 23 hospitals within Connecticut that currently have tax-exempt status. Our analysis excludes any additional hospitals that were tax-exempt in prior years. In fiscal year 2019, there were 24 EINS as Milford Hospital was a separate entity. For subsequent years Milford Hospital was included in Bridgeport Hospital’s Schedule H. St. Vincent’s Medical Center had a change in EIN from fiscal year 2019 to fiscal year 2020 due to a change in ownership.

I. Community benefits of tax-exempt hospitals within Connecticut, 2019 to 2022

Overview

This report provides an estimate of the community benefit expenses provided by Connecticut tax-exempt hospitals, as well as these community benefit expenses as a percentage of their total expenses from 2019 to 2022.³ Connecticut has 27 acute care hospitals and systems, of which 23 are tax-exempt entities, three are for-profit taxable entities, and one is a governmental entity.⁴

Many of the benefits that tax-exempt hospitals provide to their communities are captured by IRS Forms 990, Schedule H. Community benefits provided may include financial assistance, unreimbursed Medicaid, other means-tested government program expenses, community health improvement services and community benefit operations, health professions education, subsidized health services, research, and cash and in-kind contributions.

EY reviewed the IRS Forms 990 for 2019 through 2022 for all 23 tax-exempt hospitals in Connecticut. As part of their charitable missions, these hospitals provided community benefits ranging from a total of nearly \$1.6 billion to nearly \$1.8 billion in expenses annually from 2019 through 2022. These included unreimbursed costs for Medicaid patients ranging from about \$830 million to \$1.1 billion. These community benefit expenses represented about 11.6% to 13.5% of total expenses during the four-year span from 2019 to 2022.

Connecticut tax-exempt hospitals' benefits to the community, 2019 to 2022

This section compares community benefits (i.e., sections 7a – 7k on Schedule H of IRS Forms 990) and community benefits as a percentage of total expenses for a respective year. In 2022, the latest year covered in this report, Connecticut tax-exempt hospitals provided nearly \$1.8 billion in total community benefit, representing 11.8% of total hospital expenses (\$15.1 billion).⁵ Within this total, Connecticut tax-exempt hospitals provided \$1.3 billion in assistance to means-tested populations, accounting for 8.8% of total hospital expenses. Connecticut tax-exempt hospitals provided an additional \$441 million in other community benefits, including community health improvement services and community benefit operations, health professions educations, research, subsidized health services and cash and in-kind contributions. These other community benefits account for an additional 2.9% of hospital expenses.

Table 1 shows the net expenses corresponding with financial assistance and certain other community benefits as reported on IRS Forms 990, Schedule H for 2019 through 2022. The 23

³ Please see footnote 1 in the executive summary.

⁴ Please see footnote 2 in the executive summary.

⁵ Source: Total expenses are based on total reported expenses on IRS Forms 990. Separately, based on EY calculations from the hospitals' audited financial statements, total expenses were \$17.0 billion in 2022.

tax-exempt hospitals in Connecticut provided community benefits ranging from a total of about \$1.6 billion to nearly \$1.8 billion in 2019 through 2022.

Table 1. Tax-exempt hospitals' benefit to the community for 2019 to 2022, by type of benefit (\$ in millions)

	2019	2020	2021	2022
7a. Financial assistance at cost	\$343.7	\$306.5	\$287.1	\$256.2
7b. Medicaid shortfall	\$829.9	\$878.5	\$930.2	\$1,076.5
7c. Costs of other means-tested government programs	\$46.2	\$0.3	\$0.0	\$0.0
7d. Financial assistance and means-tested	\$1,219.7	\$1,185.2	\$1,217.3	\$1,332.8
7e. Community health improvement services and benefit ops.	\$30.6	\$32.5	\$32.2	\$45.7
7f. Health professions education	\$251.1	\$246.6	\$251.8	\$265.9
7g. Subsidized health services	\$67.1	\$59.9	\$65.8	\$76.0
7h. Research	\$14.5	\$11.6	\$10.4	\$15.7
7i. Cash and in-kind contributions for community benefit	\$18.8	\$27.2	\$26.2	\$37.8
7j. Total "other benefits" (categories e-i above)	\$382.1	\$377.7	\$386.3	\$441.2
7k. Total (Lines 7d and 7j)	\$1,601.9	\$1,562.9	\$1,603.6	\$1,774.0

Note: Figures may not sum due to rounding.

Source: EY tabulations of Connecticut tax-exempt hospitals' community benefit expense reported on IRS Forms 990, Schedule H.

Table 2 calculates expenses as a percentage of aggregate total annual expenses for the hospitals or health systems for their respective years. The total community benefit percentage for Connecticut hospitals fluctuated by about 2.0 percentage points over the four-year span from 2019 to 2022. COVID-19 related expense inflation, especially labor, supplies, and drugs, contributed to a decline in community benefit percentages. Despite these fluctuations, as shown in Table 1 above, absolute expenses increased from fiscal year 2019 to fiscal year 2022.

Table 2. Tax-Exempt hospitals' benefit to the community as a percentage of expenses for 2019 to 2022 by type of benefit

	2019	2020	2021	2022
7a. Financial assistance at cost	2.9%	2.4%	2.1%	1.7%
7b. Medicaid shortfall	7.0%	6.7%	6.7%	7.1%
7c. Costs of other means-tested government programs	0.4%	0.0%	0.0%	0.0%
7d. Financial assistance and means-tested	10.3%	9.1%	8.8%	8.8%
7e. Community health improvement services and benefit ops.	0.3%	0.2%	0.2%	0.3%
7f. Health professions education	2.1%	1.9%	1.8%	1.8%
7g. Subsidized health services	0.6%	0.5%	0.5%	0.5%
7h. Research	0.1%	0.1%	0.1%	0.1%
7i. Cash and in-kind contributions for community benefit	0.2%	0.2%	0.2%	0.3%
7j. Total "other benefits" (categories e-i above)	3.2%	2.9%	2.8%	2.9%
7k. Total (Lines 7d and 7j)	13.5%	12.0%	11.6%	11.8%

Note: Figures may not sum due to rounding.

Source: EY tabulations of Connecticut tax-exempt hospitals' community benefit expense reported on IRS Forms 990, Schedule H.

From 2019 through 2022, financial assistance and means-tested government program expenses of Connecticut tax-exempt hospitals ranged from about \$1.2 billion to \$1.3 billion annually, reflecting about 8.8% to 10.3% of their total expenses in any given year. These included unreimbursed costs for Medicaid patients ranging from about \$830 million to \$1.1

billion. Expenses attributable to other types of community benefits ranged from about \$378 million to \$441 million, reflecting about 2.8% to 3.2% of the hospitals' total expenses.

II. Community benefits as a percentage of expenses, comparing tax-exempt Connecticut hospital trends over 2019 to 2022 to tax-exempt hospitals nationwide and in New England

Overview

This section compares the community benefit percentages of the 23 tax-exempt hospitals in Connecticut to the community benefit percentages of tax-exempt hospitals in New England and the broader US. Comparisons are drawn to New England tax-exempt hospitals from IRS Forms 990 data for 2019 to 2022⁶ and to US tax-exempt hospitals from American Hospital Association data for 2019 to 2021.⁷ From 2019 through 2022, Connecticut tax-exempt hospitals had a higher community benefit percentage than New England tax-exempt hospitals across all four years and US hospitals across all three years included in this analysis.

Community benefit percentages of Connecticut hospitals compared to the US and New England

As shown in Figure 1, the total community benefit percentage for Connecticut tax-exempt hospitals ranged from about 11.6% to 13.5%, fluctuating 2.0 percentage points over the four-year span from 2019 to 2022. When compared to New England tax-exempt hospitals, Connecticut hospitals had a higher community benefit percentage for all years from 2019 through 2022. Total community benefit was about 1.2 to 3.8 percentage points higher for Connecticut tax-exempt hospitals than for New England tax-exempt hospitals for any given year. Similarly, when compared to tax-exempt hospitals nationwide, Connecticut hospitals had a higher community benefit percentage for all years from 2019 through 2021. Total community benefit was about 0.3 to 3.2 percentage points higher for Connecticut tax-exempt hospitals than for US tax-exempt hospitals for any given year.

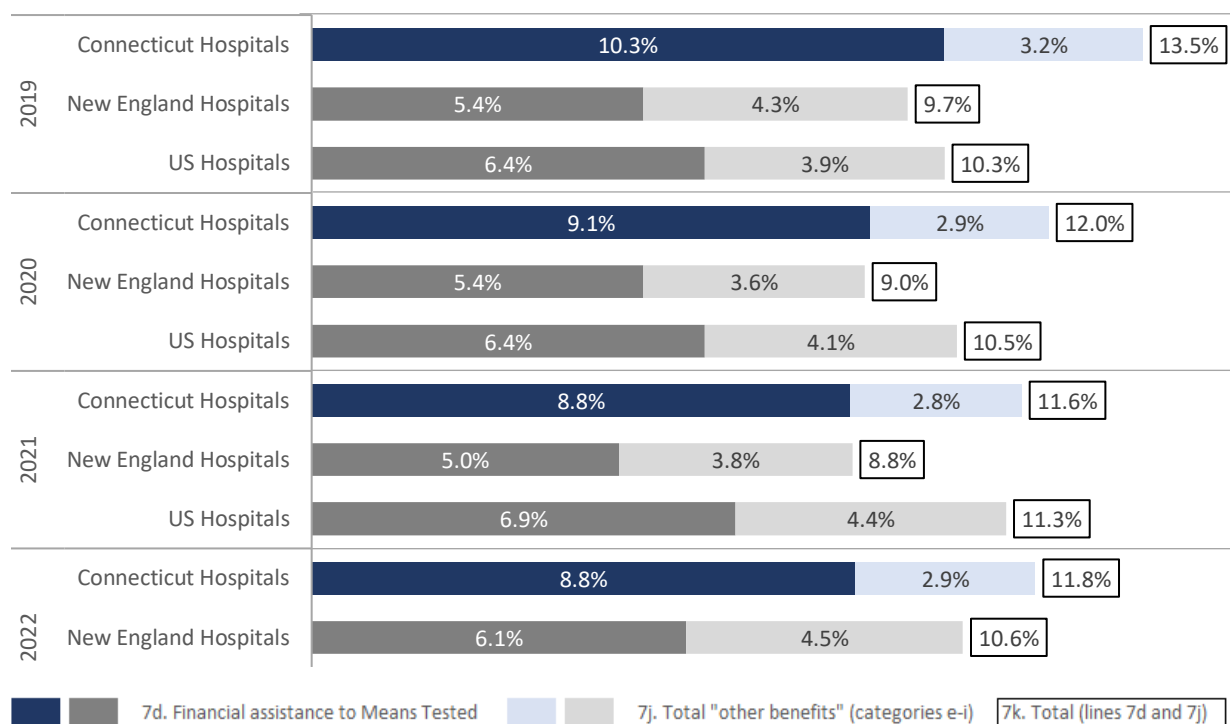
Connecticut tax-exempt hospitals also provided higher financial assistance to means-tested populations than New England tax-exempt hospitals and broader US tax-exempt hospitals across all four years. Specifically, Connecticut hospital community benefits for means-tested populations were about 2.7 to 4.9 percentage points higher than New England tax-exempt hospitals and about 1.9 to 3.9 percentage points higher than US tax-exempt hospitals.

⁶ For comparison purposes, New England hospitals exclude Connecticut hospitals.

⁷ American Hospital Association. (2023). Results from the 2020 Tax-Exempt Hospitals' Schedule H Community Benefits Reports. Retrieved from: <https://www.aha.org/system/files/media/file/2023/10/Results-from-2020-Tax-Exempt-Hospitals-Schedule-H-Community-Benefit-Reports.pdf>.

The American Hospital Association has not released a report for US hospitals for fiscal year 2022 (tax year 2021).

Figure 1. Comparison of community benefits provided by Connecticut, New England, and US tax-exempt hospitals, 2019-2022



Note: For comparison purposes, New England hospitals exclude Connecticut hospitals.

Sources: EY tabulations of Connecticut and New England tax-exempt hospitals' community benefit based on IRS Forms 990, Schedule H and American Hospital Association 2020 (filing year 2021) Tax-Exempt Hospitals' Schedule H Community Benefits Report

Final summary

As part of their charitable missions, in 2022 the 23 tax-exempt hospitals in Connecticut provided community benefits totaling nearly \$1.8 billion, including almost \$1.1 billion in unreimbursed costs for Medicaid patients. On average, the total community benefit provided by tax-exempt hospitals in Connecticut represented 11.8% of total expenses in 2022. When compared to tax-exempt hospitals in New England and in the broader US, Connecticut tax-exempt hospitals provided higher overall community benefit as a percentage of expenses from 2019 through 2022.

Appendix

Methodology

Many of the benefits that hospitals provide to their communities are captured by IRS Forms 990 on their Schedule H. Hospitals provide financial assistance and absorb underpayments from means-tested government programs such as Medicaid and incur losses due to costs such as unreimbursed Medicare expenses that qualify as financial assistance. In addition, they offer programs and activities to:

- ▶ Improve community and population health
- ▶ Underwrite medical research and health professions education
- ▶ Subsidize high-cost essential health services

EY reviewed IRS Forms 990 for 2021 and 2022 (filing years 2020 and 2021) for all 23 tax-exempt hospitals in Connecticut. Data was collected and tabulated from Part I of IRS Form 990, Schedule H, which covers financial assistance to means-tested populations and certain other community benefits.

Data reported on the Connecticut tax-exempt hospitals' IRS Forms 990, Schedule H are reported at the hospital or hospital system level. For our analysis, the totals for each line item are calculated as a percentage of the respective hospital or hospital systems' total annual expenses. Overall, the net expense for the community benefit programs are calculated as a percentage of hospitals' and systems' total annual expenses as reported on the Forms 990.

For US hospitals, data is pulled from the American Hospital Associations' report on 2020 Schedule H Community Benefits (filing year 2021).⁸

For New England hospitals, data is pulled from IRS Statistics of Income. The New England Hospitals grouping represents the data for all hospitals/systems headquartered in New England states. Overall, the net expense for the community benefit programs are calculated as a percentage of hospitals' and systems' total annual expenses as reported on the Forms 990.

Limitations

Total amounts of community benefits and total community benefit as a percentage of expenses from the IRS Forms 990 provide information on the financial costs and forgone revenue incurred by acute care hospitals and systems in providing benefits. However, they do not measure the overall tangible and intangible benefits of improving their communities' health and economic well-being. Hospitals provide the Internal Revenue Service (IRS) with detailed descriptions of their community benefit programs as part of their filing. These descriptions often provide additional information beyond the financial information presented on the forms.

⁸ American Hospital Association. (2023). Results from the 2020 Tax-Exempt Hospitals' Schedule H Community Benefits Reports. Retrieved from: <https://www.aha.org/system/files/media/file/2023/10/Results-from-2020-Tax-Exempt-Hospitals-Schedule-H-Community-Benefit-Reports.pdf>

The American Hospital Association has not released a report for US hospitals for fiscal year 2022 (tax year 2021)..