The Role of Nonprofit Hospitals in Utah’s Health Care System

By: Melanie Beagley, Health Care Analyst, and Laura Summers, Director of Industry Research

Utah’s Nonprofit Health Care System

The majority of Utah hospitals are nonprofit organizations that provide charity care and other community benefits to receive nonprofit status. In return, nonprofit status qualifies portions of these hospitals for most federal, state, and local tax exemptions. That said, some nonprofit hospitals elect to pay property tax on certain facilities, boosting the tax revenue in those communities, which can be spent on other community resources (education services, libraries, road maintenance, etc.). Nonprofit status also allows hospitals to receive charitable contributions.

Government hospitals are also considered nonprofit hospitals. As government entities, government hospitals are exempt from certain tax filing and reporting requirements for nonprofit hospitals. Government hospitals are, however, subject to community benefit requirements to maintain or receive tax exempt status.

What are Nonprofit Hospitals?

Federal regulations require nonprofit hospitals to provide a degree of charity care and other community benefits to receive nonprofit status. In return, nonprofit status qualifies portions of these hospitals for most federal, state, and local tax exemptions. Data show two-thirds of the state’s hospitals have nonprofit status (Figure 1). Additionally, 18 of Utah’s 21 rural and critical access hospitals are nonprofit, supporting access and providing community benefit to rural areas throughout the state.

Federal and State Requirements for Nonprofit Hospitals

Federal Requirements

In addition to the general nonprofit requirements for tax exemption (earnings may not be for private interest, earnings must be organized for a charitable purpose, organizations must adhere to restricted political or legislative activities, etc.), nonprofit hospitals must provide some level of charity care and other community benefits as well as meet four requirements that were added when the Affordable Care Act (ACA) passed in 2010.

State Requirements

Over half of U.S. states (26 states) have their own community benefit laws in addition to the federal requirements for nonprofit hospitals. In Utah, the state requires nonprofit hospitals to spend a minimum amount on community benefits referred to as “gifts to the community.” The amount spent on community benefits must exceed the hospital’s property tax liability.

A gift to the community is defined as one of the following activity or service provisions: (1) indigent care; (2) community education, services, and research; (3) medical discounts; (4) donations of time; and (5) donations of money. Gifts to the
community can also include the operation costs of hospitals when revenues do not cover costs. This allows hospitals to continue to operate in areas even when revenue is low (e.g., rural communities or lower socioeconomic communities). Research finds that nonprofit hospitals in states with community benefit spending requirements, like Utah, allocate a higher proportion of their expenses to community benefits and charity care in comparison to nonprofit hospitals located in states without reporting requirements.5,6

Indigent (Charity) Care and Medical Discounts – Indigent care is care provided to patients who are unable to pay for the cost of care they receive as well as expenses associated with special clinics providing care to the uninsured or low-income.10 Uncompensated care can be an important resource for uninsured patients. In Utah, 8.7% of the state’s adult population is uninsured with differences by race, ethnicity (Figure 2), and income level (Figure 3).

A recent survey of Utahns found that for those who accessed needed medical care in the previous year, 45% report experiencing a significant financial burden due to cost.11 Uncompensated care can help reduce the burden of medical debt and improve the likelihood that uninsured individuals still access necessary medical care.

Medical discounts are another form of uncompensated care provided to patients covered by Medicare, Medicaid, or other government health care coverage programs. In Utah, 26.8% of the population has government health care plans.12

Community Education, Service, and Research – Community health education offers learning experiences on different health topics, providing individuals with the tools they need to build capacity for and support behavior changes that prevent chronic disease and injury. Community health education can also help individuals with chronic conditions manage their disease and avoid costly and debilitating complications.

Research shows evidence-based community education can provide a health and economic benefit to patients and communities.13 According to the Centers for Disease Control and Prevention (CDC), 90% of U.S. health care costs can be attributed to people with chronic disease and mental health conditions.14 Evidence-based health education programs such as the National Diabetes Prevention Program lifestyle change program reduce the risk of chronic disease.15 Health education can also improve a community’s economic stability by reducing spending on health care as well as lost wages due to preventable illness.16

Donations of Time and Money (Philanthropic Contributions) – Donations of time and money include nonprofit hospital volunteer hours and charitable contributions to other nonprofit community organizations.17,18 For nonprofit hospitals in Utah, this is an opportunity to further support priorities identified in their community health needs assessments. Utah’s nonprofit hospitals spend millions of dollars in in-kind and monetary donations each year.19

### Figure 2: Utah Uninsured Rates for Adults by Race and Ethnicity, 2021

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Utah Average</th>
<th>Non-Hispanic</th>
<th>Hispanic</th>
<th>White</th>
<th>Pacific Islander</th>
<th>Black</th>
<th>Asian</th>
<th>American Indian/ Native Alaskan</th>
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</thead>
<tbody>
<tr>
<td>0%</td>
<td>8.7%</td>
<td>5.3%</td>
<td>28.7%</td>
<td>6.4%</td>
<td>10.7%</td>
<td>18.4%</td>
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Note: Health insurance includes private coverage, Medicaid, Medicare, and other government programs. Age-adjusted. 1 Use caution when interpreting. Estimates marked with this symbol in the data table have a coefficient of variation greater than 30% and less than or equal to 50% and are therefore deemed unreliable by Utah Department of Health and Human Services standards.


### Figure 3: Utah Uninsured Rates for Adults by Income Level, 2021

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Utah Average</th>
<th>$0-$24,999</th>
<th>$25,000-$49,999</th>
<th>$50,000-$74,999</th>
<th>$75,000 or more</th>
</tr>
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<tbody>
<tr>
<td>0%</td>
<td>8.7%</td>
<td>24.5%</td>
<td>17.7%</td>
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Additional Benefits to the Community

Utah’s nonprofit hospitals provide several additional benefits to the communities they serve beyond the charity care, community education and research, and philanthropic contributions mentioned in the sections above. Specifically, Utah’s nonprofit hospitals work with their communities to understand and address unmet health needs, provide access to essential health services, and function as an economic anchor to communities throughout Utah.
**Addressing Unmet Community Health Needs**

Nonprofit hospitals must conduct a community health needs assessment (CHNA) and implementation plan (CHIP) every three years in the communities they serve as part of the ACA’s federal requirements. The process requires nonprofit hospitals to solicit input from the community on health needs and priorities. Specifically, nonprofit hospitals must engage public health departments, engage members of medically underserved populations such as low-income and minority populations, and provide an opportunity for public comment on the hospital’s most recent CHNA and CHIP. After prioritizing unmet needs, nonprofit hospitals develop the CHIP, a three-year plan to address one or more identified community health needs.

While every Utah nonprofit hospital has its own CHNA and CHIP, a multistakeholder working coalition (the CHNA Collaboration) leads the CHNA process across communities in Utah. The CHNA Collaboration includes the Utah Department of Health and Human Services, local health districts, nonprofit hospitals, and other stakeholders across the state of Utah. The purpose of this multistakeholder working coalition is to align processes, reduce redundancy, and improve population health.

A review of Utah’s CHNA reports shows Utah’s nonprofit hospitals identified five common health needs in the communities they serve as well as common strategies to address them (Table 1).

**Access to Services**

Another significant contribution nonprofit hospitals provide is their robust service offerings. Research shows that nonprofit hospitals are more likely to offer services that have limited profit margins. These services include trauma and burn care, emergency psychiatric and behavioral health services, home health care, and drug and alcohol addiction treatment programs. In addition, rural nonprofit hospitals are more likely to offer unprofitable services, many of which are underprovided in rural communities.

In Utah, some of these services respond directly to the priority health needs identified in the Utah Department of Health and Human Services’ 2017-2020 State Health Improvement Plan (reducing obesity and obesity-related chronic conditions, reducing prescription drug misuse, abuse, and overdose, and improving mental health and reducing suicide). Examples of services provided by Utah’s nonprofit hospitals include the University of Utah’s Huntsman Mental Health Institute (HMHI) and Driving out Diabetes initiatives, Intermountain Health’s Diabetes Prevention Program and comprehensive behavioral and mental health services, as well as the many other addiction treatment, behavioral health, and diabetes prevention efforts of Utah’s nonprofit rural and critical access hospitals serving rural communities.

**Table 1: Utah Nonprofit Hospital Community Health Priorities and Strategies**

<table>
<thead>
<tr>
<th>Community Health Priorities</th>
<th>Community Health Strategies</th>
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<tbody>
<tr>
<td>Mental and Behavioral Health</td>
<td>Improve coordination of care</td>
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<tr>
<td>Access to Primary &amp; Preventive Care</td>
<td>Invest in health education and promotion</td>
</tr>
<tr>
<td>Chronic Disease and Avoidable Health Outcomes</td>
<td>Form community collaborations and partnerships with community organizations</td>
</tr>
<tr>
<td>Substance Use Disorders</td>
<td>Invest and facilitate lifestyle programs to increase physical activity and improve nutrition</td>
</tr>
<tr>
<td>Social Determinants of Health</td>
<td>Provide financial literacy to reduce financial barriers to care</td>
</tr>
<tr>
<td></td>
<td>Increase use of telehealth</td>
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</tbody>
</table>

Utah’s nonprofit hospitals also often serve as a patient’s medical home. A medical home organizes and delivers primary health care in a way that improves care coordination through a team-based approach that integrates physical and mental health care. The medical home model is associated with effective chronic disease management, increased patient and provider satisfaction, health care cost savings, improved quality of care, and increased preventive care.

**Access to Health Insurance Products**

Two of Utah’s nonprofit hospital systems also provide health insurance coverage for Utahns (Select Health, a health insurance product of Intermountain Health, and the University of Utah Health Plans). The two health plans cover over 1.2 million Utahns statewide, which represents a large portion of Utah’s insured population (66.8% of private health insurance coverage in the state). Two of Utah’s nonprofit hospital systems also provide health insurance coverage for Utahns (Select Health, a health insurance product of Intermountain Health, and the University of Utah Health Plans). The two health plans cover over 1.2 million Utahns statewide, which represents a large portion of Utah’s insured population (66.8% of private health insurance coverage in the state). Additionally, data from the Centers for Medicare and Medicaid Services (CMS) reports Utah per-capita private health insurance spending is among the lowest of U.S. states in 2020 (Figure 4). A report by the Agency for Healthcare Research and Quality (AHRQ) compares health insurance costs across U.S. states. The 2021 report found health insurance premiums and deductibles in Utah were significantly below the national average for single and family enrollees of employer sponsored health plans. Additionally, data from the Centers for Medicare and Medicaid Services (CMS) reports Utah per-capita private health insurance spending is among the lowest of U.S. states in 2020 (Figure 4).

Utah’s integrated nonprofit hospitals and health plans could play a role in helping to maintain the lower cost of health care in the state. Integrated systems, such as the University of Utah Health and Intermountain Health, report higher rates of preventive services (e.g., screening rates and disease monitoring) and lower rates of unnecessary procedures and care. This focus on prevention and appropriate use of care through tools like value-based care can reduce the risk for chronic disease and lower the cost of care.
**Economic Anchors**

The impact of the nonprofit hospital system extends beyond health care. Utah’s nonprofit hospitals are also an economic anchor to the communities they serve, providing employment and community investments.39,40

**Employment** – The two largest nonprofit hospital systems in Utah, Intermountain Health and University of Utah Health, are also two of the largest employers in the state.41 Utah’s nonprofit hospitals provide stable employment in most Utah counties (Figure 5).

**Community Investments** – Nonprofit hospitals in Utah further support the communities they serve by investing in the local supply chain through purchases from Utah-based vendors and applying their mission to impact investments such as affordable housing and job-creation strategies in low-and-moderate income communities across the state.42,43,44,45

**Conclusion**

Nonprofit hospitals play a significant role in Utah’s health system. The laws and policies guiding nonprofit hospitals benefit communities by influencing the type of services provided. These include essential health services and preventive services known to improve healthy behaviors and community conditions.
Endnotes


2. For example. Intermountain Health is entitled to a property tax exemption because its clinics are part of its nonprofit health care organization. Intermountain Health elected to pay property tax on the percentage of its facilities used for clinic operations (whether on hospital campuses or separate freestanding clinics).


4. Government hospitals do not file IRS Form 990, thus excluding them from reporting requirements related to community benefit costs. Government hospitals must comply with all other requirements including community health needs assessment reports and financial assistance policies that are displayed publicly.


19. Compiled from Utah nonprofit hospitals’ form 990 tax filings and community impact reports.


35. Zigfrang T. The Re-Emergence of Provider-Sponsored Plans. Health Cap Top. 9(1)


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Kem C. Gardner Policy Institute  411 East South Temple Street, Salt Lake City, Utah 84111  801-585-5618  gardner.utah.edu

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