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Notes

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Nonprofit Hospitals' Property Tax Benefits: Evidence from Indiana

BY ELIZABETH PLUMMER, PH.D., CPA, AND GE BAI, PH.D., CPA

Abstract

Policymakers are increasingly interested in quantifying nonprofit hospitals' tax benefits to assess whether hospitals' nonprofit status is justified. Property taxes that nonprofits would otherwise pay are among the more difficult tax benefit to quantify. This paper aims to educate stakeholders on the issues with estimating nonprofit hospitals' property tax benefits.

We focus on Indiana because of relative advantages in its property tax record system. We first use a statewide database that identifies tax-exempt hospital properties to estimate property tax savings for all nonprofit hospitals in the state. We then examine five counties to quantify property tax benefits for specific hospitals. Using statewide data, we estimate a total property tax savings of \$75.3 million in 2020 for all nonprofit hospitals in Indiana. However, upon closer examination of the five selected counties, we find that the state's identification code for hospital properties fails to identify over 500 property accounts associated with the nonprofit hospitals. Allowing for these additional properties increases nonprofit hospitals' tax savings in these counties by about 71%. These results suggest that our statewide estimate most likely understates nonprofit hospitals' property tax benefits by a significant amount. If statewide estimates were comparably understated, property tax savings in 2020 for all nonprofit hospitals in Indiana would be closer to \$128 million. We conclude with policy recommendations.

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Introduction

About 58% of community hospitals in the United States are non-government nonprofit hospitals (AHA 2022). Community hospitals provide short-term care to patients in medical and surgical units, and do not include federal, psychiatric, and long-term care hospitals. About 24% are investor-owned for-profit hospitals, and 19% are state and local government hospitals.

Nonprofit hospitals are exempt from paying federal and state income tax, federal unemployment tax, sales tax, and property tax, and enjoy other tax-related benefits such as the ability to issue tax-exempt bonds. Nonprofit hospitals also benefit from larger donation amounts than they would otherwise because donors receive a tax deduction. A hospital's nonprofit status is granted in exchange for the expectation the hospital will provide community benefit that equals or exceeds the value of tax benefits derived from its nonprofit status. However, few states (if any) have effective systems in place to audit or evaluate hospitals' community benefit, or to measure the value of nonprofit tax benefits. As a result, hospitals generally face no accountability for providing low levels of community benefit, or community benefit that is low relative to a hospital's (unquantified) tax benefits.

As healthcare costs rise and governments look for additional revenue sources, nonprofit hospitals in the U.S. have come under increased scrutiny from federal and state legislators and policymakers (Bai et al. 2020; Bai et al. 2021; Zare et al. 2022). In Pennsylvania, a state court ruled that nonprofit hospitals providing insufficient charity care were not tax-exempt charities, and must begin paying millions in annual property taxes (Kennedy and Johnson 2022). In January 2020, Indiana state legislators introduced Indiana Senate Bill 232, which would have eliminated the property tax exemption for property owned by an Indiana nonprofit corporation and used in the operation of a hospital (Frissel, 2020). The legislation stalled.

Nationwide, the size and growing magnitude of nonprofit hospitals' tax benefits raise questions on whether these hospitals' community benefit is large enough to justify their nonprofit status. Prior research estimates the total value of nonprofit hospitals' tax benefits in 2011 was \$24.6 billion (Rosenbaum et al. 2015). This estimate includes federal, state, and local tax savings combined, with property tax savings representing \$4.3 billion (17.5%) of the total. A recent study estimates that the value of non-profit hospitals' *federal* tax benefits in 2019 was \$12.4 billion (Ernst & Young 2022).

Another study estimates that nonprofit hospitals' property tax savings represents about 22% of the total tax benefits (Herring et al. 2018). Both studies estimate nonprofit hospitals' property tax savings by multiplying hospital revenues with the average property tax-to-revenue ratio of for-profit hospitals in the same state. We are aware of no study that uses actual property tax data to estimate nonprofit hospitals' property tax savings.

The purpose of this paper is to focus on nonprofit hospitals' tax benefits attributable to their forgone property taxes. Our overall goal is to provide federal, state and local policymakers with an overview of the issues and challenges in estimating nonprofit hospitals' property tax benefits, and inform future studies that attempt to quantify nonprofits' property tax benefits. Improved estimations of tax benefits can help policymakers better assess whether nonprofits' justify their tax-exempt status.

For myriad reasons, property taxes that nonprofits would otherwise pay are among the more difficult tax benefit to quantify. Accordingly, we focus on one state – Indiana – that has a property tax record system with two features that allow better and more manageable estimates of property tax savings. First, property tax assessors in Indiana provide assessed values for nonprofit hospitals' tax-exempt properties. This feature eliminates the need to estimate assessed values. Second, parcel-specific property tax data for all counties in Indiana is posted on the state's website, and all

county data is formatted the same. This feature makes obtaining and working with the data significantly more manageable than is generally the case.

We use two different empirical approaches. In our first approach (Approach 1), we estimate nonprofit hospitals' property tax savings for all counties in Indiana using the state's identifier for hospital properties with tax exemptions. Using this approach, we estimate a total property tax savings of \$75.3 million in 2020 for all nonprofit hospitals in Indiana. In our second approach (Approach 2), we focus on nonprofit hospitals in five counties, searching each county's tax roll for hospital-owned properties using hospital name and/or address. This approach accomplishes two objectives: (1) it allows us to estimate property taxes forgone for *specific* nonprofit hospitals, and (2) it allows us to identify problems with using the state's code for identifying hospitals. Specifically, Approach 1 fails to capture hospital-owned tax-exempt property coded as something other than "Hospital," and thus understates nonprofit hospitals' tax savings. We find this to be a significant issue for our five selected counties, where Approach 1 underestimates property tax savings for 2021 by 71% for our five counties combined. If statewide estimates were comparably understated, property tax savings in 2020 for all nonprofit hospitals in Indiana would be closer to \$128 million.

Our paper proceeds as follows. The next section discusses property taxation in Indiana, followed by a discussion of the data. We then present our statewide estimate of tax savings for nonprofit hospitals in Indiana using Approach 1, followed by our estimate of tax savings for nonprofit hospitals in five selected counties using Approach 2 and compare that with estimates made using Approach 1. We conclude with policy suggestions

Indiana property taxation

In Indiana, property taxes are levied by local governments on real property (land and buildings) and business tangible personal property (e.g., business equipment; furniture; billboards). Inventories, supplies, vehicles subject to excise tax, and intangible property (e.g., software) are exempt.

Taxing Jurisdictions

In Indiana, taxing units are political subdivisions with the power to tax. Examples of taxing units include counties, cities/towns, townships, schools, libraries, and various special districts (e.g., airports, fire districts). In Indiana, taxing districts correspond to geographic areas and are created for property tax bill purposes. A taxing district is composed of multiple unique taxing units. The DLGF sums the certified tax rates for overlapping units in a geographic area to create a taxing district rate, and this taxing district rate is the rate that appears on each tax bill. A taxing unit may span multiple taxing districts, but each parcel exists in only a single taxing district.

Tax Caps

Taxing districts in Indiana are subject to tax caps. These caps are administered through a "circuit breaker credit," which is an amount that ensures a taxpayer does not pay more than the statutory maximum percentage on a property's gross assessed value. The taxing districts' property tax cap thresholds are: 1% for residential homestead properties; 2% for long-term care property, agricultural land, residential property, and some tangible property; and 3% for nonresidential real property, personal property, and select tangible property. If a taxing district's rate exceeds the relevant percentage, the most the district can actually assess is 1%, 2% or 3%, depending on property type (DLGF 2121). The 3% tax cap is the one most applicable for hospital properties, although some hospital property is subject to the 2% cap.

Property Tax Assessment and Administration

In Indiana, property tax reporting and assessment is at the county level. County assessors are

responsible for annually assessing real property at its “market-value-in-use” as of January 1, whereas Indiana’s personal property tax system is a self-assessment system. Business taxpayers, both for-profit and nonprofit, must annually file a return reporting all their tangible personal property and its true tax value as of January 1. ‘True tax value’ is determined under the rules of the Department of Local Government Finance (DLGF) per Ind. Code §6-1.1-31-7(d), and does not mean fair market value. The assessor then transfers all real and personal property tax data to the county auditor. The auditor applies deductions, exemptions, and other valuation adjustments to the relevant properties, and then sends these values (i.e., certified net assessed values) to the DLGF. After review and statistical analysis, DLGF makes adjustments where necessary, approves counties’ property tax assessments, and determines local governments’ property tax rates by dividing each local unit’s approved budget amount by the unit’s total assessed value (DLGF 2022a).

Key Features of Indiana’s Property Tax System

There are two features of Indiana’s property tax system that make it ideal for our study. First, unlike appraisal districts in many states, property tax assessors in Indiana provide assessed values for properties owned by nonprofit taxpayers. In some states, nonprofit properties will not be on the property tax rolls at all, or they will be on the rolls but at a value other than the assessed value (e.g., zero or the property’s original cost). Administratively, this may make sense if there will be no property tax owed (i.e., the property is 100% tax exempt regardless of market value) and assessments are costly. However, if the tax rolls do not provide assessed values for nonprofit properties, it is difficult to provide reliable estimates of nonprofits’ property tax benefits for more than just a handful of properties. Fortunately, Indiana’s tax rolls provide assessed values for nonprofit hospitals—enabling a more reliable analysis since value estimation is unnecessary. There is a caveat, however. Property tax assessors may exert less effort in valuing nonprofit taxpayers’ properties since there are no tax revenues at stake. For the same reason, nonprofit taxpayers may also be less careful in rendering values for their personal property. Nevertheless, the tax rolls’ assessed values are the best data available for estimating nonprofits’ tax benefits in this analysis.

The second feature of Indiana’s property tax system that makes our study possible is that DLGF posts bulk datasets containing parcel-specific property tax data for all counties on the state’s Gateway platform (Indiana Gateway 2022a), and data for all counties is reported in the same format. These datasets can be downloaded free of charge. DLGF also posts parcel-specific property tax data separately by county. These data can be searched by owner name, street address, and/or property type (DLGF 2022c). This centralized reporting of property tax information is unusual and allows for a significantly more manageable and careful analysis. From our research experience, almost all property tax assessment data in other states must be obtained by going separately to each individual county’s website. This assumes, of course, that the county makes their data publicly-available, which is often not the case for smaller counties. Furthermore, data formats generally differ across counties, even within a single state, and only large appraisal districts generally provide bulk datasets that can be downloaded. If there is no bulk dataset, one must search for individual properties by owner name and/or address. Accordingly, most property tax studies are generally limited to a single appraisal district, severely limiting the ability to provide a comprehensive analysis encompassing more districts and states.

Property Taxation of Indiana Hospitals

In Indiana, for-profit hospitals must pay property tax on all real property and all tangible furniture, fixtures, and equipment (FF&E) that they own, except for inventory and supplies. Taxable FF&E includes medical equipment, computer systems, furniture, medical gas lines, wheelchairs, beds, drapes, curtains, and additional equipment added to an ambulance. Software is not taxable. The base vehicle of an ambulance is not taxable (i.e., it is taxed via excise tax) but any

add-ons are taxable. For-profit hospitals receive no special exemptions. There is an option to obtain a property tax abatement. However, abatements are a political avenue and must be negotiated between a specific taxpayer and the local government.

A nonprofit hospital's property tax benefit is the property tax that they do not have to pay because of their nonprofit status. To estimate property tax forgone, we estimate the property tax benefit for each property owned by a nonprofit hospital, where property tax benefit is equal to the property's gross assessed value times the applicable taxing district's tax rate.

Data and Sample

Data used for the statewide analysis includes the "Tax Bill" and "Adjustments" datasets for "All Counties – 2020 pay 2021" (Indiana Gateway 2022). These data are for the 2020 assessment year, with taxes payable in 2021, and were the most recent year available for 'all counties' when we performed our analysis. The tax bill data contains parcel-specific information for all assessed properties in the state. The adjustments file includes information for all properties in the state that receive a credit, exemption, or deduction related to their property taxes. We merge the two files using the *property ID* variable. The adjustments file has an *Adjustment Code* variable that denotes whether a property's adjustment is related to a hospital (code=31). However, to the extent nonprofit hospitals own property that is not coded as "hospital," this will understate their property tax benefits. We discover this to be a significant issue when we use our second approach – searching individual county tax rolls using hospital name and/or address. In the final step of our analysis below, we compare the two approaches for our five selected counties and find the tax savings under the second approach is significantly greater. This leads us to question the validity of the first approach, which simply relies on the state's hospital coding. Nevertheless, the first approach provides a useful starting point for our analysis and clearly demonstrates issues involved with using governmental property tax data.

There is an additional limitation of using the state's hospital identifier variable. While it allows us to estimate the tax benefit for all nonprofit hospitals in a county combined, we cannot estimate the total tax benefit for a *specific* hospital because there is no way to identify multiple properties owned by one taxpayer. Different property accounts are not linked together with any type of owner ID variable. To identify all properties owned by a single taxpayer, one must search by name and/or address.

To demonstrate how one would undertake estimating property taxes for a single nonprofit hospital, we estimate the forgone property taxes for all nonprofit hospitals in five Indiana counties: Allen, Bartholomew, Marion, Monroe, and Tippecanoe. We selected these five counties based on their representing the largest footprint of Employers' Forum of Indiana's (EFI) employer members. For each of the five counties, we searched by hospital name and/or address. This allows for the most comprehensive search of hospital-owned property. We used the 2021 assessment year, with taxes payable in 2022, as this was the most recent county-specific data at the time of our analysis (DLGF 2022c).

Indiana – Statewide results

Table 1 provides 2020 property tax information for the entire state of Indiana. There are over 4 million real and personal property accounts across all 92 counties combined. The total gross assessed property value is \$572.7 billion, and the total net assessed value is \$374.7 billion. Property taxes collected by all taxing districts combined totaled about \$8.1 billion for the 2020 assessment year.

Table 1. Property Taxes in Indiana

	# of bills	Total Gross Assessed Value	Total Net Assessed Value	Total Property Tax Collected
All real and personal property tax bills in state	4,024,098	\$ 572,683,461,394	\$ 374,715,848,786	\$ 8,078,348,676

Table 2. Indiana Non-profit Hospitals, 2020 property tax savings by county

The data in this table is obtained by identifying nonprofit hospital properties using Adjustment Code "Hospital=31" in the "Adjustments" database.

ID	County	# of hospital properties identified	Total Exemption Amount	Property Tax Savings from Exemptions	Total county property tax collections	Tax savings as % of county taxes
1	Adams	13	\$ 14,500,138	\$ 333,395	\$ 32,052,476	1.04%
2	Allen	65	432,631,054	8,455,649	405,676,896	2.08%
3	Bartholomew	22	66,826,040	1,792,543	122,090,251	1.47%
5	Blackford	5	4,869,150	146,075	11,663,046	1.25%
6	Boone	1	8,032,900	240,987	137,316,879	0.18%
8	Carroll	3	2,182,920	49,337	17,415,590	0.28%
9	Cass	36	17,067,820	505,100	29,684,680	1.70%
10	Clark	3	3,442,110	103,263	140,402,952	0.07%
11	Clay	4	5,655,980	139,199	14,335,311	0.97%
13	Crawford	1	61,600	1,848	8,163,598	0.02%
15	Dearborn	48	6,322,350	158,972	56,026,705	0.28%
17	DeKalb	15	27,546,010	708,434	49,555,111	1.43%
18	Delaware	11	37,400,650	1,121,991	93,327,613	1.20%
19	Dubois	41	67,090,170	1,652,760	52,282,441	3.16%
20	Elkhart	58	46,986,340	1,398,439	281,201,297	0.50%
21	Fayette	8	13,668,935	410,068	16,872,501	2.43%
22	Floyd	5	9,738,400	162,982	74,618,654	0.22%
23	Fountain	2	727,200	17,643	15,774,535	0.11%
24	Franklin	6	10,901,070	239,713	17,379,704	1.38%
26	Gibson	25	10,719,860	317,698	56,368,399	0.56%
27	Grant	59	67,119,401	1,997,487	58,773,278	3.40%
28	Greene	4	231,900	5,684	22,736,570	0.03%
29	Hamilton	2	6,727,520	152,535	634,144,060	0.02%
32	Hendricks	35	91,859,930	2,623,348	256,657,941	1.02%
33	Henry	20	13,469,640	398,503	37,719,116	1.06%
34	Howard	26	65,203,363	1,956,101	105,872,555	1.85%
35	Huntington	12	50,191,810	1,505,754	36,619,203	4.11%
36	Jackson	57	62,666,870	1,550,081	42,205,469	3.67%
37	Jasper	4	545,640	9,905	29,705,032	0.03%
38	Jay	5	6,006,700	180,201	23,080,874	0.78%
41	Johnson	11	36,060,281	779,382	180,883,772	0.43%
44	LaGrange	3	65,160	1,622	31,662,992	0.01%
45	Lake	43	594,936,398	16,303,441	683,741,217	2.38%
46	LaPorte	16	26,171,962	513,305	135,631,773	0.38%

accounts. In total, a little over \$2.9 billion of property value was exempt in 2020 because of the nonprofit hospital exemption, resulting in a total property tax savings of \$75.3 million for all nonprofit hospitals combined.

The last column provides the tax savings as a percentage of total tax collections for each county. On average, property tax collections would have been about 1.11% higher if nonprofit hospitals' property were not exempt, but the percentage varies greatly across counties. Lake County's taxing districts lost the most in tax revenues (\$16.3 million), but this represented only 2.38% of their tax collections. In contrast, property tax revenues in Wayne County would have been 11.45% higher if its districts had collected \$7.7 million of property tax revenues lost to nonprofit hospitals.

It is worth noting that our statewide estimates of nonprofit hospitals' tax savings are very similar to estimates reported in an article discussing Indiana's Senate Bill 232, a bill which would limit tax exemptions for nonprofit hospitals. Frissel (2020) refers to estimates by the Indiana Legislative Services Agency, which estimated nonprofit hospitals received \$2.6 billion of property exemptions for 2019, and \$78 million of forgone property taxes for 2021. These compare with our estimates of \$2.9 billion of exempt value and \$75.3 million of forgone taxes for 2020 (table 2). However, we believe that the Indiana Legislative Services Agency estimates suffer from the same problems as our table 2 statewide estimates. In short, our county-specific analysis below suggests that both statewide estimates understate nonprofit hospitals' property tax benefits – perhaps significantly.

Indiana – results for five select counties

County Results

It is relatively straightforward to use the Indiana county tax records to identify hospital properties that are coded as tax-exempt and compute the related tax savings, but it is significantly more difficult to determine a *specific* hospital's property ownership and tax savings. Property tax bills have no "owner ID" that allows one to identify multiple properties owned by a single owner. And although tax bills do have an owner's name, the names for a single owner are not necessarily identical across different tax bills. This lack of a uniform owner variable makes it difficult to identify all property parcels owned by a single taxpayer. This is true for Indiana, and to our knowledge, almost all state and local property tax systems. Accordingly, we next examine the tax rolls for our five selected counties to determine the property owned by each nonprofit hospital in the county and estimate the hospital's property tax savings from its nonprofit status. We first identified the hospitals in each county using the Centers for Medicare & Medicaid Services (CMS) Hospital Cost Reports. Table 3 shows that the composition of for-profit (FP) versus nonprofit (NFP) hospitals varies significantly across counties. Allen County has six hospitals (one NFP and five FP); Bartholomew has one hospital (governmental/city-county); Marion has nine hospitals (seven NFP, one FP, and one governmental/city-county); Monroe has two hospitals (one NFP and one FP); and Tippecanoe has two hospitals (both NFP).

Table 3. Selected Indiana Counties and their Acute-Care Hospitals¹

County	Hospital	Owner Code	Ownership Type	City
Allen	Parkview Regional Medical Center	2	Non-profit	Fort Wayne
Allen	Lutheran Hospital of Indiana	4	For-profit	Fort Wayne
Allen	St. Joseph Hospital	4	For-profit	Fort Wayne
Allen	Dupont Hospital	4	For-profit	Fort Wayne
Allen	Orthopedic Hospital at Parkview North	4	For-profit	Fort Wayne
Allen	The Orthopedic Hospital of Lutheran Health	4	For-profit	Fort Wayne
Bartholomew	Columbus Regional Hospital	8	Governmental (city-county)	Columbus
Marion	Ascension St. Vincent Hospital	1	Non-profit (church)	Indianapolis
Marion	Franciscan Health Indianapolis	1	Non-profit (church)	Indianapolis
Marion	Indiana University (IU) Health	2	Non-profit	Indianapolis
Marion	Community Hospital East	2	Non-profit	Indianapolis
Marion	Community Hospital South	2	Non-profit	Indianapolis
Marion	Community Hospital North	2	Non-profit	Indianapolis
Marion	Fairbanks	2	Non-profit	Indianapolis
Marion	Eskenazi Health	9	Governmental (county)	Indianapolis
Marion	Orthoindy Hospital	5	For-profit	Indianapolis
Monroe	IU Health Bloomington Hospital	2	Non-profit	Bloomington
Monroe	Monroe Hospital	4	For-profit	Bloomington
Tippecanoe	Franciscan Health Lafayette	1	Non-profit (church)	Lafayette
Tippecanoe	Indiana University (IU) Health Arnett Hospital	2	Non-profit	Lafayette

¹ Hospitals identified from CMS cost reports (2019).

For each of the nonprofit hospitals in table 3, we searched the 2021 county tax rolls by hospital name and/or address to identify properties owned by each hospital. Table 4 provides summary information for each hospital. For each hospital, the first three columns show the number of tax bills identified, the number of distinct owner names on those bills, and the number of different taxing districts in which a hospital’s property is located. The last two columns provide the average tax rate for the hospital’s taxing districts, before and after the 3% circuit breaker cap. For example, Parkview Regional Medical Center has 262 different tax bills, with 13 distinct owner names. The hospital owns property in 12 different taxing districts, with an average tax rate of about 2.5%. The Appendix provides details on the distinct owner names for each hospital.

Table 4. Hospitals and Property Tax Information for 2021 assessment year¹

County	Hospital (and affiliates)	# of Tax Bills ²	# of owner names ³	# of Taxing Districts	Average (mean) tax rate	
					Before circuit breaker cap ⁴	After circuit breaker cap
Allen	Parkview Regional Medical Center	262	13	12	2.5827	2.5410
Bartholomew	Columbus Regional Hospital	35	12	1	2.6583	2.6583
Marion	Ascension St. Vincent Hospital	119	55	13	2.9539	2.8030
Marion	Franciscan Health Indianapolis	14	2	4	3.6362	2.9764
Marion	Indiana University (IU) Health	140	17	10	3.0324	2.8808
Marion	Community Hospital - East, South, & North	42	20	7	2.9428	2.9263
Marion	Fairbanks	2	2	1	2.6754	2.6754
Marion	Eskenazi Health	3	3	1	2.9665	2.9665
Monroe	IU Health Bloomington Hospital	57	8	8	1.8377	1.8377
Tippecanoe	Franciscan Health Lafayette	96	4	6	2.4031	2.4031
Tippecanoe	Indiana University (IU) Health Arnett	41	5	7	2.6039	2.6039

Note: The data in this table is obtained by searching county tax rolls using hospital name and/or address.

¹ Property tax information is from the “2021 pay 2022” tax bills.
² Number of separate tax bills for each hospital and its affiliates.
³ Number of distinct owner names on property tax bills. See Appendix for names of record on property tax bills.
⁴ Average (mean) tax rate for the hospital’s relevant taxing districts, before (or after) applying the 2% or 3% circuit breaker cap

Table 5 presents information on each hospital’s assessed values and tax due, both with and without the property tax exemption. The first column presents the net assessed value (i.e., after exemptions) for all properties we identified as being owned by a hospital. The second column is the tax paid on those properties. The next two columns show the total gross assessed value (before exemption) and the tax that would be paid on that gross assessed value (before exemptions but after the circuit breaker cap). The last column presents the total estimated tax savings for each hospital because of their nonprofit status. This is their total estimated property tax benefit. For example, Parkview Hospital owns property with a gross assessed value (before exemption) of \$719.8 million, but a net assessed value (after exemption) of \$198.5 million. The hypothetical property tax that would be paid on the gross property value would be \$14.8 million, but Parkview’s actual tax due is \$4.07 million – a tax savings of \$10.7 million.

Table 5. Non-profit hospitals’ property tax information for 2021

County	NFP Hospital	Net Assessed Value (after exemption)	Actual Tax Due	Gross Assessed Value (before exemption)	Tax Due on Gross AV (after 2% or 3% caps)	Tax savings from exemption
Allen	Parkview Hospital	\$ 198,521,249	\$ 4,072,108	\$ 719,792,780	\$ 14,805,032	\$ 10,732,924
Bartholomew	Columbus Regional ¹	2,163,050	51,890	61,723,700	1,640,801	1,588,911
Marion	Ascension St. Vincent	12,470,240	345,054	228,773,100	6,167,310	5,822,256
Marion	Franciscan Health Ind.	5,442,140	136,726	83,362,400	2,428,685	2,291,959
Marion	IU – Health	42,793,360	1,267,123	227,085,100	6,677,381	5,410,258
Marion	Community Hospital	36,637,920	925,681	249,241,200	6,883,296	5,957,615
Marion	Fairbanks	0	0	7,420,700	198,533	198,533
Marion	Eskenazi ²	<u>0</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	Total	<u>97,343,660</u>	<u>2,674,584</u>	<u>795,882,500</u>	<u>22,355,205</u>	<u>19,680,621</u>
Monroe	IU Health	439,880	8,018	102,903,730	2,099,594	2,091,576
Tippecanoe	Franciscan Health	2,273,900	47,919	50,937,480	1,355,682	1,307,763
Tippecanoe	IU Health	<u>398,102</u>	<u>9,702</u>	<u>99,699,520</u>	<u>2,621,877</u>	<u>2,612,175</u>
	Total	<u>2,672,002</u>	<u>57,621</u>	<u>150,637,000</u>	<u>3,977,559</u>	<u>3,919,938</u>

¹ Columbus Regional is a city-county hospital. We include it in our analysis for several reasons: (1) the hospital is the ‘flagship facility’ of Columbus Regional Healthcare System, a 501(c)(3) nonprofit; (2) the hospital’s financial statements state that the hospital is exempt from taxes under both Internal Revenue Code §115 and 501(c)(3); and (3) the hospital’s assessed values are provided in the tax rolls.

² Eskenazi is a county hospital. The hospital has tax bill accounts, but there are no assessed values provided for their properties.

Comparing Results from the Two Approaches

We next compare our results from Approach 1, which uses the state code to identify hospital properties, with results from Approach 2, where we search the tax rolls using hospital name and/or address. Table 6 present results. The first column shows nonprofit hospitals’ tax savings totals \$22.2 million for all five counties combined when we identify properties using the “hospital” adjustments code (table 2), while the second column shows nonprofit hospitals’ combined tax savings totals \$38.0 million when we search the county tax rolls for each hospital individually (table 5). By undertaking a more careful – albeit laborious – approach, we identify 564 additional nonprofit hospital properties in those five counties, with an additional tax savings of \$15.8 million – a 71.0% increase.

It is not surprising that there are nonprofit hospital-owned properties with exemptions that are not coded as “hospital” in the property tax database. First, hospitals own properties other than their primary hospital building (e.g., office buildings, strip malls, physicians’ practice, parking structures and parking lots, ambulatory surgical centers, vacant land). Indiana property tax law provides that these additional properties qualify for property tax exemption if the hospital shows that the property is substantially related to or supportive of the hospital’s inpatient facility, or it provides or supports the provision of charity care or community benefits, including research,

education, or government-sponsored indigent health care (Indiana Code §6-1.1-10-16). It is unlikely that an incorrect exemption or property code will receive any attention as long as the nonprofit hospital obtains its tax exemption. Second, property tax databases are not subject to systematic audits or data cleansing. From our experience with other property tax datasets, errors in property descriptions, inconsistent coding, and other clerical errors are not unusual. The local appraisal district is generally responsible for all property tax appraisal and exemption administration in their geographic boundaries, as well as sending taxpayers their notice of assessed values, and then scheduling and hearing all property tax protests. Unless a taxpayer complains, districts are unlikely to review tax rolls and correct errors.

It should be noted that table 2 uses 2020 assessed values, while table 5 uses 2021 values. If property values are increasing, we would expect the tax savings in table 5 to be greater than the savings in table 2. However, in Indiana, gross and net assessed values increased 4.7% and 4.6%, respectively, from 2019 to 2020, and the average annual increase for 2017- 2020 was 4.2% (DLGF 2022b, table 1). This suggests that the tax savings in table 5 would be somewhat greater than the tax savings in table 2 (e.g., 5%-10% perhaps), but an increase in assessed values would not explain a 71.0% greater tax savings.

Table 6. Comparing Estimates of Property Tax Savings for Five Counties

County	Estimate of Tax Savings using statewide dataset (Table 2)	Estimate of Tax Savings using county dataset (Table 5)	Difference in estimates of tax savings	Difference as %age of tax savings
	(a)	(b)	(c) = (b) – (a)	(c) ÷ (a)
Allen	\$ 8,455,649	\$ 10,732,924	\$ 2,277,275	26.9%
Bartholomew	1,792,543	1,588,911	(203,632)	(11.4%)
Marion	9,663,819	19,680,621	10,016,802	103.7%
Monroe	2,188,133	2,091,576	(96,557)	(4.4%)
Tippecanoe	125,073	3,919,938	3,794,865	3,034.1%
Total	\$ 22,225,217	\$ 38,013,970	\$ 15,788,753	71.0%
Total # of nonprofit hospital bills identified	247	811	564	

Conclusions and policy implications

State and local policymakers are increasingly interested in quantifying nonprofit hospitals’ tax benefits and weighing them against hospitals’ community benefit. Prior studies have generally been undertaken by researchers not well-versed in property taxation and its unique challenges. We examined Indiana’s nonprofit hospitals in order to estimate their property tax benefits, measured as their forgone property taxes. We then examined nonprofit hospitals in five counties to quantify property tax benefits for specific hospitals. This latter analysis demonstrates the difficulties encountered with identifying property ownership, even with a relatively easy-to-use property tax database.

The advantages of using Indiana’s property tax data for our analysis cannot be overstated. First, the property tax rolls in Indiana provide assessed values for nonprofit hospitals. No estimation is required to determine a nonprofit hospital’s hypothetical property tax (i.e., the amount the hospital would pay if it were not tax-exempt). Second, Indiana property tax data is available in bulk datasets for all counties, and all counties report in the same format. These data include parcel-specific property tax data for all properties in the state. These two features allow for a more manageable and reliable analysis compared with most other states. Nevertheless, identifying property tax benefits for a *specific* nonprofit hospital remains challenging and cumbersome, even

with Indiana’s unique data. Furthermore, Indiana’s coding system does not allow one to easily identify all nonprofit hospital-owned properties, which can significantly understate property ownership and the related tax savings from property exemptions.

Given that property taxes represent a sizable portion – 20% or more – of nonprofit hospitals’ tax benefits, state and federal policymakers should consider requiring appraisal districts and/or nonprofit hospitals to report the information necessary to estimate their (unpaid) property taxes. The necessary information would include estimated values of nonprofit hospitals’ real estate holdings (buildings and land), personal property (if taxable), and the applicable tax rates.

Because property tax values are determined by local appraisal districts, the availability and quality of this information will vary significantly across states, and across appraisal districts within a state. For states like Indiana, property tax rolls already include assessed values for non-taxable properties. However, property tax rolls in other states may include no information at all, or may include values other than market or assessed values. In addition, property tax rolls would need to undergo “data cleaning” to help ensure all hospital-owned properties could be identified. Thus, reporting property tax benefit would be possible but would impose additional reporting burdens and costs on appraisal districts and hospitals. Policymakers would need to weigh the costs and benefits before pursuing such policies.

In addition, self-reported hospital data that is not subject to systematic audit by an independent party would almost certainly be subject to inaccuracies and misrepresentations. We found this to be the case with nonprofit hospitals in Texas, a state that currently requires some nonprofit hospitals to self-report the estimated value of their tax-exempt benefits (Bai et al. 2021; Texas Department of State Health Services 2021). States could take steps to help reduce such problems with self-reported data. For example, in 2021, the Florida legislature repealed a law (scheduled to become effective January 1, 2022) that would have effectively limited a nonprofit hospital’s property tax exemption to the amount of community benefit the hospital provided. The law would have required county property appraisers to calculate hospitals’ property tax benefit and submit the information to the Florida Department of Revenue (EY 2021). Such state involvement enhances reporting reliability, but would increase governments’ administrative costs.

It is worth noting that some nonprofits enter into agreements with municipalities known as payments in lieu of taxes (PILOTS) and/or services in lieu of taxes (SILOTS). We are not aware of any PILOTS or SILOTS for Indiana nonprofit hospitals. However, the value of these payments and/or services (if any) would decrease our estimate of a nonprofit hospital’s property tax benefits.

Lastly, our study does not address tax incidence issues. When nonprofits do not pay property taxes, the tax burden is shifted to taxpaying property owners, both business and residential. Future research should examine how the property tax exemption for nonprofit hospitals affects the tax distribution. Tax shifting can lead to negative externalities, such as increased tax regressivity and distorted market incentives. These are important factors when quantifying costs associated with nonprofit hospitals’ tax exemptions. When evaluating whether nonprofits can justify their tax-exempt status, policymakers should compare the community benefits provided by nonprofit hospitals with not only the costs of hospitals’ tax-exempt benefits (i.e., foregone tax revenues) but also costs associated with any externalities created by their tax exemptions.

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Appendix: Property owner names of record on 2021 tax bills

Panel A: Allen County, Parkview Regional Medical Center and affiliates

PARKVIEW RETAIL SERVICES LLC
PARKVIEW PPG WALK-IN CLINIC
PARKVIEW ORTHO CENTER LLC
PARKVIEW OCCUPATIONAL HEALTH CTRS INC
PARKVIEW HOSPITAL INC
PARKVIEW HOSPITAL
PARKVIEW HEALTHY LIVING
PARKVIEW HEALTH SYSTEMS INC
PARKVIEW HEALTH SYSTEMS
PARKVIEW HEALTH SYSTEM INC
PARKVIEW HEALTH SYSTEM
PARKVIEW FOUNDATION INC
PAR PARKVIEW HOSPITAL INC 70.3% & PARKVIEW HEALTH SYSTEM INC 22% & GARDNER SUSANNE K KVIEW RETAIL SERVICES LLC

Panel B: Bartholomew County, Columbus Regional Hospital and affiliates

BARTHOLOMEW CO HOSPITAL BOARD OF TRUSTEES
BARTHOLOMEW COUNTY HOSPITAL
BARTHOLOMEW COUNTY HOSPITAL TR
BOARD OF TRUSTEES BARTHOLOMEW COUNTY HOSPITAL
BOARD OF TRUSTEES OF COLUMBUS REGIONAL HOSPITAL
COLUMBUS HOSPITAL LLC
COLUMBUS HOSPITAL, LLC(BEHAVIORVAL [sic] CENTER)
COLUMBUS REGIONAL HOSPITAL
COLUMBUS REGIONAL HOSPITAL - BOARD OF TRUSTEES
COLUMBUS REGIONAL HOSPITAL BOARD OF TRUSTEES
COLUMBUS REGIONAL HOSPITAL FOUNDATION
COLUMBUS REGIONAL HOSPITAL TRUST

Panel C: Marion County, Ascension St. Vincent Hospital and affiliates

ASCENSION LIVING ST VINCENT PACE INC
ASCENSION MED GROUP ST VINCENT (46049-71)
ASCENSION MEDGROUP ST VINCENT - PRIMARY CARE ADMIN
ASCENSION MEDGROUP ST VINCENT - REMOTE CARE MGMT 4
ASCENSION MEDGROUP ST VINCENT - TCG @ ST VINCENT (
ASCENSION MEDGROUP ST VINCENT - TCG CLINICAL LAB (
ASCENSION MEDGROUP ST VINCENT- CORVASC - 86TH ST
ASCENSION MEDICAL GROUP ST VINCENT - GLEANERS CLIN
ASCENSION MEDICAL GROUP ST VINCENT - PRIMARY CARE
ASCENSION MEDICAL GROUP ST VINCENT - ST VINCENT CE
ASCENSION MEDICAL GROUP ST VINCENT (46049)-65
ASCENSION MEDICAL GROUP ST VINCENT- ADMIN (42772)

Panel C: (continued)

ASCENSION ST VINCENT - NAAB RD ECHO TREADMILL (139)
ASCENSION ST VINCENT (64263 64279 64314) 46028-01
ASCENSION ST VINCENT BREAST CENTER (34952) 46029-0
ASCENSION ST VINCENT CARDIAC TRANSPLANT (26852) 46
ASCENSION ST VINCENT EMERGENCY SERVICES (32150) 46
ASCENSION ST VINCENT FOUNDATION (46237-01)
ASCENSION ST VINCENT HOUSE (66750) 46029-61
ASCENSION ST VINCENT INDIANAPOLIS HOSPITAL 46029-0
ASCENSION ST VINCENT LILLY CONFERENCE CENTER (8860)
ASCENSION ST VINCENT MICI-AHEC 46028-11
ASCENSION ST VINCENT NEURO SCIENCE SERVICE LINE (1)
ASCENSION ST VINCENT ONCOLOGY SURVIVORSHIP (16450)
ASCENSION ST VINCENT OUTPATIENT ONCOLOGY CENTER (1)
ASCENSION ST VINCENT PAN WAREHOUSE (70654 70730) 4
ASCENSION ST VINCENT PATIENT ACCESS (65750 65850)
ASCENSION ST VINCENT PCC RADIOLOGY (34503) 46029-
ASCENSION ST VINCENT PEDIATRIC GASTROENTEROLOGY (5)
ASCENSION ST VINCENT PEDIATRIC NEUROLOGY (56707) 4
ASCENSION ST VINCENT PEDIATRIC NEUROSURGERY (56714)
ASCENSION ST VINCENT PEDIATRIC ORTHO (55800 69168)
ASCENSION ST VINCENT PTC (23889)46029-50
ASCENSION ST VINCENT RAS LAWRENCE (67956) 46083-04
ASCENSION ST VINCENT RENAL TRANSPLANT (26850) 4602
ASCENSION ST VINCENT SETON SPECIALTY HOSPITAL INC
ASCENSION ST VINCENT SPORTS PERFORMANCE (46084-01)
ASCENSION ST VINCENT STAR PROGRAM 46028-10
ASCENSION ST VINCENT STRESS CENTER 46043-01
ASCENSION ST VINCENT VIP CARE LAB (14151) 46029-44
ASCENSION ST VINCENT WOMENS HOSPITAL 46029-54
ASCENSION ST VINCENT-CASTLETON (46091-04)
ASCENSION ST VINCENT-INDPLS SOUTH (46091-05)
SOCIETY OF ST VINCENT
SOCIETY OF ST VINCENT DE PAUL
ST VINCENT HEALTH-WELLNESS & PREVENTATIVE CARE INS
ST VINCENT HOSPITAL &
ST VINCENT HOSPITAL & HEALTH CARE CENTER INC
ST VINCENT HOSPITAL AND
ST VINCENT HOSPITAL PHARMACY
ST VINCENT MEDICAL CENTER NORTHEAST INC
ST VINCENT NEW HOPE
ST VINCENT NEW HOPE INC
ST VINCENT SETON

ST VINCENTS EMERGENCY PHYSICIANS INC

Panel D: Marion County, Franciscan Health Lafayette

SISTERS OF ST FRANCIS

SISTERS OF ST FRANCIS HEALTH SERVICES INC

Panel E: Marion County, Indiana University (IU) Health

CLARIAN HEALTH PARTNERS INC ¹
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CLARIAN HEALTH PARTNERS

CLARIAN HEALTH

INDIANA HEALTH CARE ASSOCIATION

INDIANA HEALTH CENTERS INC

INDIANA HEALTH CENTERS INCORPORATED

INDIANA HEALTH INFORMATION EXCHANGE INC

INDIANA HEALTHY MARRIAGE & FAMILY COALITION

INDIANA HEALTH CENTERS INCORPORATED

INDIANA HEALTH INFORMATION EXCHANGE INC

INDIANA UNIVERSITY HEALTH CARE ASSOCIATES INC

INDIANA UNIVERSITY HEALTH INC

INDIANA UNIVERSITY RADIOLOGY ASSOC INC
--

REHABILITATION HOSPITAL

COMMUNITY HEALTH NETWORK REHABILITATION HOSPITAL L
--

REHABILITATION HOSPITAL OF INDIANA

NEURO REHABILITATION HOSPITAL OF INDIANA
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¹In January 2011, Clarian Health adopted the new name of Indiana University Health. The new brand did not change the corporate structure. IU Health remained an independent, nonprofit health system.

Panel F: Marion County, Community Hospital - East, South & North, and affiliates

COMMUNITY HEALTH NETWORK INC

COMMUNITY HEALTH NETWORK OF IN INC

COMMUNITY HEALTH NETWORK REHABILITATION HOSPITAL L
--

COMMUNITY HEALTHCARE PROPERTIES LLC

COMMUNITY HOSPITAL

COMMUNITY HOSPITAL HUMAN RESOURCES

COMMUNITY HOSPITAL INDPLS REGIONAL CANCER CENTER
--

COMMUNITY HOSPITAL NORTH

COMMUNITY HOSPITAL OF

COMMUNITY HOSPITAL REHAB & SPORTS MED - SHADELAND

COMMUNITY HOSPITAL REHAB & SPORTS MEDICINE EAST

COMMUNITY HOSPITAL SOUTH

COMMUNITY HOSPITAL SOUTH INC

COMMUNITY HOSPITAL SOUTH,

COMMUNITY HOSPITALS

COMMUNITY HOSPITALS – INDIANAPOLIS

COMMUNITY HOSPITALS FOUNDATION INC

COMMUNITY HOSPITALS OF

COMMUNITY HOSPITALS OF INDIANA INC

COMMUNITY NORTH MEDICAL CENTER LLC

Panel G: Marion County, Fairbanks

FAIRBANKS HOSPITAL

FAIRBANKS HOSPITAL INC

Panel H: Marion County, Eskenazi

ESKENAZI HEALTH FOUNDATION INC

ESKENAZI MEDICAL GROUP INC

ESKENAZI MEDICAL GROUP INC

Panel I: Monroe County, IU Health Bloomington Hospital

INDIANA UNIVERSITY HEALTH BLOOMINGTON INC

INDIANA UNIVERSITY HEALTH CARE ASSOCIATES INC

INDIANA UNIVERSITY HEALTH INC

INDIANA UNIVERSITY HEALTH URGENT CARE, LLC
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INDIANA UNIVERSITY HEALTH, INC

IU HEALTH SOUTHERN IN PHYSICIANS

IU HEALTH SOUTHERN IN PHYSICIANS, INC.
--

IU HEALTH SOUTHERN INDIANA PHYSICIANS, INC.

Panel J: Tippecanoe County, Franciscan Health Indianapolis and affiliates

FRANCISCAN ALLIANCE INC

FRANCISCAN SISTERS OF CHICAGO SERVICE CORPORATION

FRANCISCAN ALLIANCE, INC ID#3625

FRANCISCAN ALLIANCE INC ID#7774

Panel K: Tippecanoe County, Indiana University Health Arnett Hospital

DSI-IU HEALTH ARNETT DIALYSIS LLC

INDIANA UNIVERSITY HEALTH ARNETT INC

INDIANA UNIVERSITY HEALTH CARE ASSOCIATES INC

INDIANA UNIVERSITY HEALTH INC

INDIANA UNIVERSITY HEALTH INC & ARNETT REAL ESTATE PAR
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