Why CAHs Should Oppose H.R. 9504

Tax Exempt Hospital Transparency Act

Executive takeaway. H.R. 9504 may appear targeted primarily at large health systems, but small hospitals are not fully exempt and could face direct reporting obligations, facility-level exposure through parent systems, indirect compliance costs, and longer-term risks to nonprofit tax exemption and 340B policy.

Small and rural hospitals have legitimate reasons to oppose H.R. 9504 even though its most detailed reporting requirements apply to organizations with more than 100 staffed inpatient beds or more than $100 million in annual net patient revenue. The bill creates baseline requirements for all tax-exempt hospital organizations and establishes a federal reporting framework that could later be expanded.

1. Small hospitals are not fully exempt

The bill's baseline requirements apply to all tax-exempt hospital organizations subject to Internal Revenue Code Section 501(r) and required to file an annual return under Section 6033. Small hospitals would have to explain how they are addressing community health needs, submit audited financial statements and identifying information, report the cost of financial assistance, and disclose the numbers of financial-assistance applications received, approved, and denied. Some requirements are delayed for organizations that are neither large nor high-revenue, but they are not permanently excluded.

2. Small facilities inside larger systems could face the full reporting burden

The thresholds are applied at the level of the tax-exempt hospital organization, while much of the required information must be separately stated for each hospital facility. A 25-bed or 50-bed community hospital owned by a large system could therefore be required to produce detailed facility-specific data even though the hospital would not independently meet the bed or revenue thresholds.

3. Small hospitals have fewer resources to absorb new costs

Independent and rural hospitals generally have smaller tax, finance, legal, information-technology, pharmacy, compliance, and community-benefit teams. New reporting obligations may require outside accountants, consultants, software changes, new cost-allocation methods, and greater coordination among departments. A large system can distribute those costs across many facilities, while a small hospital must absorb them within a much smaller operating budget.

4. The bill creates a framework that could later be expanded

Once Treasury and HHS establish reporting forms, standardized definitions, cost-allocation rules, service-line taxonomies, and enforcement procedures, Congress could lower the revenue or bed thresholds, extend service-line reporting to more hospitals, establish minimum charity-care or community-benefit standards, or link tax exemption to reported spending. Small hospitals may therefore oppose the precedent even when their immediate exposure is limited.

5. It could weaken support for nonprofit hospital tax exemption

The bill directs GAO to estimate how much federal income tax the 25 highest-revenue tax-exempt hospital organizations would owe if they were taxable. Although the study begins with the largest systems, it could support a broader political argument that nonprofit hospitals receive excessive tax benefits. Small hospitals rely heavily on tax-exempt status, tax-exempt financing, charitable contributions, and community support and have an institutional interest in protecting that framework.

6. Public data could generate misleading comparisons

Reported figures may not adequately reflect payer mix, low patient volume, rural labor shortages, uncompensated care, standby capacity, emergency-service obligations, transportation barriers, or the cost of maintaining essential but unprofitable services. Small hospitals could be judged against large urban systems using measures that do not account for fundamentally different operating conditions.

7. Indirect effects could reach hospitals outside the statutory thresholds

Accounting firms, software vendors, consultants, pharmacy administrators, lenders, rating agencies, state regulators, journalists, and advocacy groups may adopt the federal reporting categories as new industry expectations. Small hospitals could face higher vendor costs or requests for similar information even when the statute does not formally require the full disclosures from them.

Strongest Small-Hospital Opposition Message

> *"H.R. 9504 may appear targeted at large hospital systems, but small hospitals are neither fully exempt nor insulated from its effects. The bill imposes baseline requirements on all tax-exempt hospitals, captures small facilities owned by larger systems, creates costly federal reporting structures that could later be expanded, and threatens the broader tax-exempt framework on which community and rural hospitals depend."*