H.R. 9504 - Reasons for Hospital Opposition

Tax Exempt Hospital Transparency Act | Policy Analysis

H.R. 9504 would impose new tax-return reporting requirements on tax-exempt hospitals, with enhanced obligations for large and high-revenue organizations. Hospitals are likely to argue that the bill creates substantial cost, competitive, and policy risks without directly improving patient care or lowering health care prices.

1. Major Administrative and Compliance Burden

The bill would require hospitals to build or substantially expand systems for tracking community-health spending, financial-assistance applications, advertising costs, clinical service-line revenues and expenses, and 340B activity. Much of this information would have to be reported at both the health-system and individual-facility levels. Hospitals could argue that the resulting accounting, legal, information-technology, audit, and staffing costs would divert resources from patient care and community programs.

2. Disclosure of Competitively Sensitive Service-Line Information

High-revenue tax-exempt hospitals would have to disclose gross receipts, costs, and cost-allocation methods for each clinical service line. These reports could reveal which specialties generate strong margins, which services operate at a loss, and how hospitals distribute shared expenses. Hospitals are likely to contend that competitors, insurers, private-equity firms, and other market participants could use this information during contracting, recruitment, acquisition, and service-expansion decisions.

3. Potentially Misleading Treatment of 340B Savings

For hospitals participating in the 340B Drug Pricing Program, the bill would require reporting of aggregate net 340B payment amounts, generally calculated as payer reimbursement minus the 340B acquisition price. Hospitals may argue that this figure could be portrayed as profit even though it does not fully reflect uncompensated care, pharmacy infrastructure, patient-assistance services, compliance expenses, or the use of 340B savings to support underfunded clinical and community programs.

4. Broad Federal Discretion and Uncertain Future Rules

The legislation would give the Treasury Department and the Department of Health and Human Services significant authority to define reporting methodologies, establish a standardized service-line taxonomy, determine how costs are allocated, and create additional community-benefit categories. Hospitals may oppose committing to a new statutory reporting system before the agencies define the technical standards, particularly because those standards could change over time and may not align with existing hospital accounting systems.

5. Foundation for Future Challenges to Tax-Exempt Status

The bill directs the Government Accountability Office to estimate how much federal income tax the 25 highest-revenue tax-exempt hospital organizations would owe if they were taxable. Hospitals are likely to view this provision as an effort to quantify the value of tax exemption and create a record for future legislation imposing taxes, minimum charity-care requirements, community-benefit spending mandates, or restrictions on tax-exempt status.