

HB 2115 STAFF MEASURE SUMMARY

House Committee On Revenue

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Meeting Dates: 3/6, 3/7

WHAT THE MEASURE DOES:

Exempts from taxation all real or personal property owned or being purchased by a nonprofit hospital or a nonprofit health system if property is used to provide health services or administrative services necessary to provide the health services and Oregon Health Authority has issued to hospital or health system a certification, or hospital is a type A or rural critical access hospital. To receive certification, requires hospital or health system to expend on community services an amount greater than or equal to five percent of the gross receipts or show good cause for spending less than five percent. Removes from definition of community benefit, losses related to Medicaid, Medicare, State Children's Health Insurance Program or other publicly funded health care program shortfalls. Modifies community benefit reporting requirements provided by hospitals and health systems to Oregon Health Authority. Eliminates requirement of type A hospitals and rural critical access hospitals to provide community benefit report to Oregon Health Authority. Eliminates requirement of Oregon Health Authority to produce annual community benefit report and provide report to Governor, Legislature and make publicly available. Removes from qualifying for property tax exemption under ORS 307.130, property of a hospital or health system that is eligible for exemption from taxation under new exemption made available in Section 1 of measure. Requires annual application to be submitted to county assessor to qualify for exemption. Makes series of conforming and non-substantive statutory structural changes. New exemption and changes to property tax statutes effective beginning with 2017-18 property tax year. Changes to community benefit definitions, reporting, and certificate qualification become operative on January 1, 2018.

ISSUES DISCUSSED:

3/6/2017

- Inclusion of education in community benefit definition, not specifically listed in measure
- If hospitals were to become subject to property taxation, does that require similar treatment for other nonprofit organizations including universities
- Examine benefits of other nonprofit organizations, be it universities, churches, etc.
- Expected amendment that would make changes to definition of community benefits, align with proposed changes in IRS regulations
- Social determinants of health
- Background on development of IRS form 990 and schedule H, community benefit reporting, changes contained in Affordable Care Act (ACA)
- Ability to track community benefits at the different levels of care in a health care organization (i.e. - hospitals and clinics)
- Stadium naming rights not considered community benefit
- Use of certification process to oversee provision of community benefits provided, policies of other states
- Parity of taxation between clinics owned by a nonprofit as compared to for-profit clinics
- Financial assistance policies of nonprofits - include care provided at clinics
- Board membership of nonprofit hospitals, local or regional/national
- Potential development of medical provider monopolies and its impact upon care provided/received
- Availability of community health assessments, implementation plans and other documents
- How Medicare/Medicaid "shortfall" is determined for reporting purposes
- Hypothetical example of care received by uninsured individual in both hospital or clinic setting
- For nonprofit hospital organizations, what happens if excess revenue is available at the end of the year

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- Borrowing threshold prescribed by ratings agencies
- Rating agency requirements of hospital capital reserves
- Expenses of health organizations resulting from changes made in ACA

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

ORS 307.130 is a relatively broad exemption available to various types of nonprofit institutions including: hospitals and health organizations, social welfare organizations, museums and specified charitable retail stores. To qualify for exemption, organizations must initially apply to the assessor of the county in which the property resides. So long as ownership of all property included in the initial application remains unchanged, a new claim is not required.

Oregon has 25 Critical Access Hospitals located throughout the state. The Medicare Rural Hospital Flexibility Program, established by the Balanced Budget Act of 1997 (Public Law 105-33), is available to all 50 states. Its intent is to allow rural communities to preserve access to primary care and emergency health care services, provide health care services that meet community needs, and help assure the financial viability of small, rural hospitals.

Defined in ORS 442.470, a type A hospital is a small and remote hospital that has 50 or fewer beds and is more than 30 miles from another acute inpatient care facility.