



Office of Indiana Governor Mike Braun

Health and Family Services

Gloria Sachdev, Pharm.D.
Secretary of Health and Family Services

Date: 1/22/2026

TO: Governor Mike Braun
CC: Joshua Kelley, Chief of Staff, Governor Mike Braun
FROM: Gloria Sachdev, Pharm.D., Secretary of Health and Family Services
SUBJECT: Executive Order 25-22; Review of Charity Care for Nonprofit Hospitals

Executive Summary

Pursuant to Governor Braun's Executive Order 25-22, titled, Protecting Hoosier Tax Payers by Evaluating Tax Exemptions in Relation to Hospital Charity Care, I asked the Indiana Department of Health (IDOH) to conduct an analysis of the charity care provided by nonprofit hospitals in comparison to the estimated value of their tax-exempt status. I have reviewed the information compiled by IDOH, additional resources mentioned below, and submit the following summary of findings and recommendations.

Hospitals may apply for and receive non-profit status from the United States Internal Revenue Service (IRS); however, the IRS criteria for maintaining non-profit status are vague. Most hospitals in Indiana have federal non-profit status which offers these hospitals numerous tax benefits including being exempt from paying federal taxes, allowing them to receive charitable tax deductions, and allowing them to issue tax exempt bonds. Additionally, states across the country typically offer state and local tax exemptions to IRS-designated non-profit hospitals but are not required to do so. In Indiana, non-profit hospitals are generally exempt from paying sales tax, income tax, property tax, among others. These state and local tax exemptions mean less funding is available for local public schools, transportation, infrastructure and more.

As such, Governor Braun aims to assure Hoosiers are receiving high value from non-profit hospitals for the privilege of these hospitals being granted state and local tax-exemptions. To determine value, the first step is ascertaining the total amount of state and local tax each Indiana non-profit hospital would pay if they were a for-profit organization. The next step is comparing this dollar amount to the community benefit and charity care each hospital provides. Charity care is a key component of community benefit, and to do a thorough analysis, knowing how each hospital defines and calculates these terms is warranted in order to compare hospital findings with each other.



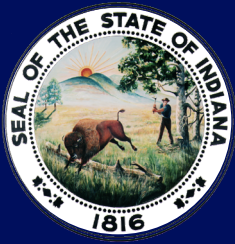
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Findings

- IDOH identified all non-profit hospitals in Indiana and analyzed their annual Hospital Fiscal Reports which includes self-reported charity care spending data. IDOH, at this time, is unable to do a comprehensive tax value analysis for each non-profit hospital in Indiana as this requires complex financial analyses for which IDOH currently does not have staff expertise. IDOH review found that the amount of charity care reported showed significant variability among hospitals.
- To estimate the value of tax avoidance in aggregate at the state level, IDOH referenced a peer-reviewed study published in 2024 in the Journal of the American Medical Association by reputable accounting professors from John's Hopkins University and Texas Christian University (*JAMA*. [doi:10.1001/jama.2024.13413](https://doi.org/10.1001/jama.2024.13413)). This study uses hospital financial data from 2021 Medicare Cost Reports which hospital executives submit to the federal government themselves. Nearly 3000 non-profit hospitals representing all 50 states plus Washington D.C. were included in this first-of-its-kind national analysis. Eighty-five non-profit hospitals were from Indiana, representing 64% of Indiana's non-profit hospitals. The results for Indiana show that in aggregate, the non-profit hospital tax avoidance for Indiana totaled nearly \$1.2 billion for both federal and state tax avoidance benefit. The state portion alone is \$586 million. Additionally, study authors used the tax avoidance benefit per state divided by the total number of hospital beds per state finding that Indiana non-profit hospitals ranked 5th highest in the country for tax avoidance benefit, meaning Indiana non-profit hospitals are getting a lot of tax benefits. The 4 states that are higher than Indiana are Massachusetts, Alaska, Utah, and Illinois. This study did not look into how much community benefit or charity care each state provided.
- The National Academy of State Health Policy (NASHP), a non-profit, non-partisan, highly respected organization developed and hosts a publicly available, searchable database of hospital financial data on the [NASHP Hospital Cost Tool](#). The data source is Medicare Cost Reports submitted by 5000 hospitals to the federal government from 2011-2024. In reviewing the amount of charity care that 72 non-profit Indiana hospitals reported in 2021 was a total of \$329 million and in 2024 was \$371 million.



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Observations

The review highlights several factors that influence how charity care is reported and delivered:

- Hospitals use different definitions of charity care, making comparisons difficult.
- Hospitals serving poorer or rural communities often provide more uncompensated care, while those in wealthier areas may provide less despite enjoying equal or greater benefits.
- Lack of knowledge and administrative barriers to hospital patient payment assistance programs can limit patient access to charity care.
- Current reporting relies on self-reported figures with little external verification.

Conclusions

Indiana law does not currently require non-profit hospitals to demonstrate that their charity care meets or exceeds the value of their state tax exemptions. Additional analyses at the hospital level is possible using the Medicare Cost Reports along with understanding how each hospital defines community benefit and charity care. Property tax exemptions are governed exclusively by state law, offering a feasible path for aligning tax benefits with demonstrated charity care. Additional tax exemptions, per consultation with tax attorneys, may be an opportunity for consideration as well.

Recommendations

I recommend the following:

1. **Allow IDOH to request additional community benefit and charity care information from non-profit hospitals:** Amend state law to require certain reporting to IDOH either through statutory changes or rulemaking authority.
2. **Condition state property tax exemptions, and perhaps other taxes, on a designated amount of charity care provided:** Amend state law to require that the value of a hospital's total state tax exemption does not exceed the value of its documented charity care or approved criteria for community benefit. If a hospital is non-compliant, consider eliminating their property tax exemption, meaning the non-profit hospital would be required to pay state property tax. Other state taxes can be added if noncompliance



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continues. An alternate to requiring tax payment is to implement a Payment in Lieu of Taxes (PILOT) fee.

3. **Improve transparency:** Strengthen hospital reporting requirements to IDOH to ensure standardization of definitions and comparable charity care data among non-profit hospitals.
4. **Further Analysis:** Direct IDOH to hire, contract, or partner with a subject matter expert(s), as the agency's budget permits, to determine varying types of state taxes and total state taxes that every non-profit hospital receives as a tax-avoidance benefit. Compare this to standardized community benefit and charity care data definitions that will be submitted by non-profit hospitals to IDOH. IDOH shall compare their internal findings with external resources to include Medicare Cost Reports.
5. **Ongoing evaluation:** Direct IDOH to continue monitoring best practice methodologies to determine the value of charity care services offered and ensure standards remain accurate and enforceable.

These steps will better align nonprofit hospital tax benefits with the public good, improve transparency, and provide Indiana communities with confidence that hospitals are meeting their charitable obligations.

Sincerely,

Gloria Sachdev

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