

# TEXAS

## Community Benefit Requirement

Texas requires nonprofit hospitals to provide community benefits as a condition of state tax exemption.

Texas law requires that, in order to qualify as tax-exempt “charitable organizations,” nonprofit hospitals and hospital systems must provide “charity care and government-sponsored indigent health care” or “charity care and community benefits” in at least the amount specified in accordance with one of four alternative standards. Nonprofit disproportionate share hospitals, nonprofit hospitals in counties with a population of less than 58,000, and hospitals that exclusively provide free care are exempt from this requirement. [Texas Tax Code Ann. §11.1801](#); [Tex. Health and Safety Code Ann. §§311.043 & 311.045](#).

## Minimum Community Benefit Requirement

Texas law directs nonprofit hospitals, as a condition of tax exemption, to provide community benefits in accordance with one of three alternative community benefit standards. Two of these alternative standards specify a minimum level of community benefits that a hospital must provide.

A nonprofit hospital may qualify as a tax-exempt charitable organization by providing community benefits in an amount that satisfies one of the following standards:

- (1) Charity care and government-sponsored indigent health care (shortfall) at a level that is “reasonable in relation to the community needs, as determined through the community needs assessment, the available resources of the hospital or hospital system, and the tax-exempt benefits received by the hospital or hospital system;”
- (2) Charity care and government-sponsored indigent health care (shortfall) provided in an amount equal to at least 100 percent of the hospital's or hospital system's tax-exempt benefits, excluding federal income tax;
- (3) Charity care and community benefits provided in a combined amount equal to at least 5 percent of the hospital's or hospital system's net patient revenue, provided that charity care and government-sponsored indigent health care are provided in an amount equal to at least 4 percent of net patient revenue. [Texas Tax Code Ann. §§11.1801\(a\)](#); [Tex. Health and Safety Code Ann. §§ 311.031\(2\) & \(8\)](#); [311.045](#).

## Community Benefit Reporting Requirement

Texas requires nonprofit hospitals to submit annual community benefit reports.



The Texas Department of Health requires that each nonprofit hospital submit an “annual report of its community benefit plan” that includes a specification of the hospital’s mission statement; the health needs of the community considered in developing the hospital’s community benefit plan; the amount and types of community benefits actually provided; total operating expenses; and the hospital’s cost to charge ratio. [Tex. Health and Safety Code Ann. § 311.046\(a\)](#).

## Community Health Needs Assessment

Texas requires nonprofit hospitals to perform community-wide health needs assessments.

Nonprofit hospitals are directed to seek input from representatives in the community, including the local health department, consumers, private businesses, insurance companies, and health science centers. [Tex. Health and Safety Code Ann. §311.044\(a\)-\(d\)](#).

## Community Benefit Plan/Implementation Strategy

Texas requires nonprofit hospitals to develop community benefit plans.

A nonprofit hospital’s community benefit plan must be an operational plan for serving the community’s health care needs as determined by a community-wide health needs assessment. The plan must include mechanisms to evaluate the plan’s effectiveness, measurable objectives to be achieved within a specified time frame, and a budget for implementing the plan. [Tex. Health and Safety Code Ann. §311.044](#).

## Financial Assistance Policy

Texas requires nonprofit hospitals to have a financial assistance policy that incorporates specified eligibility criteria.

Each Texas nonprofit hospital must “develop, implement, and enforce” a written financial assistance policy. The policy must provide that patients who satisfy the statutory definitions of “financially indigent” or “medically indigent” are eligible for financial assistance. A “financially indigent” patient is one with income at or below 200 percent of the federal poverty level; a “medically indigent” patient is one who is unable to pay the remaining balance on hospital bills that, after payment by third-party payers, exceeds a percentage of the patient’s annual gross income (as specified in the hospital’s financial assistance policy). [Tex. Health and Safety Code Ann. §§324.101, 311.031\(11\),\(13\)](#).

## Financial Assistance Policy Dissemination

Texas requires a nonprofit hospital to make information available to the public about its community benefit plan and its charity care program.

Texas law requires that a nonprofit hospital provide to each person seeking any health care service at the hospital a notice (in appropriate languages and in language readily understandable to the average reader) about the hospital’s charity care program, including its eligibility policies and how to apply for



the program. The notice must be posted in prominent hospital locations, including the general waiting area, the emergency department waiting area, and the business office. A nonprofit hospital must also publish notice of its charity care policies annually in a local newspaper. [Tex. Health and Safety Code Ann. §311.046\(d\)](#).

## Limitations on Charges, Billing, and Collections

Texas law requires hospitals to submit patient bills in a timely manner.

Texas law requires that medical providers submit their bills for medical services to patients and health plans in a timely manner. The law specifies the number of days within which billing must occur under various circumstances. [Tex. Health and Safety Code Ann. §146.002](#). Claims billed in violation of these timeliness standards may be unenforceable against a patient who, had the billing been timely, would not have been obligated to pay. [Tex. Health and Safety Code Ann. §146.003](#).

## Income Tax Exemption

Texas does not levy a corporate income tax.

## Property Tax Exemption

Texas exempts nonprofit hospitals from property tax if they provide medical care without regard to ability to pay, “which means they provide charity care and community benefits in accordance with Texas law.” [Texas Tax Code Ann. §11.18\(d\)\(1\)](#).

## Sales Tax Exemption

Texas exempts charitable organizations from state sales tax.

Texas law exempts from state sales tax organizations that are exempt from federal income tax under Internal Revenue Code §501(c)(3). [Texas Tax Code Ann. §151.310\(a\)\(2\)](#). Nonprofit hospitals that qualify for an exemption under that provision must provide community benefits that include charity care and government-sponsored indigent health care. [Texas Tax Code Ann. §151.310\(e\)](#).

