



February 13, 2024

Professional Distinction

Personal Dignity

Patient Advocacy

Representative Rick Hansen, Chair
Legislative Audit Commission
75 Rev Dr Martin Luther King Jr Boulevard.,
St Paul, MN 55155

Chair Hansen and Members of the Legislative Audit Commission,

With over 22,000 members, the Minnesota Nurses Association (MNA) is the leading organization representing professional nurses and nursing across Minnesota, and one of the leading voices on healthcare and labor in the state.

As this legislation session kicks off, nurses are coming to the Legislature with a proactive agenda focused on improving patient care, safety for healthcare workers, and increased financial transparency and accountability across our state healthcare delivery system. While this agenda is largely driven by several pieces of legislation, including a bill authored by Representative Bierman and Senator Wiklund that would provide for additional transparency in financial reporting across the tax-exempt corporations that operate most hospitals, our research, discussions, and other efforts leading to this session have made it very clear: **only through a thorough financial audit will taxpayers, researchers, advocates, local governments, state officials, and healthcare workers ever have the full picture of the financial state of our hospitals.** Minnesotans deserve answers as to why health systems continue to close hospitals that are there to serve as a public good, and as corporations that pay next to nothing in taxes while receiving public funding and handling charitable assets, the health systems should be helpful in providing those answers.

Seven states (Oregon, Utah, Texas, Pennsylvania, Illinois, Nevada, and Virginia) have all taken steps to establish community benefit standards, however Minnesota is currently relying largely on overly broad IRS rules stemming from the Affordable Care Act. Minnesota can take a step towards increased accountability and transparency by **authorizing an audit of community benefit spending which will provide policymakers with the vital information needed to develop comprehensive policies to address patient needs and the broader issues related to healthcare affordability, access, and outcomes.** This audit-first approach was the same approach taken in Montana¹, and what is also widely regarded as the best way to approach healthcare finance reforms by first deploying such an extensive audit into hospital finance to gather vital information that can be used to inform or weigh future proposals.²

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¹ Montana Community Benefit Spending Audit Report: <https://leg.mt.gov/content/Committees/Administration/audit/2019-20/Meetings/Oct-2020/18P-07.pdf>

² How States Can Hold Hospitals Accountable for Community Benefit Expenditures: <https://nashp.org/how-states-can-hold-hospitals-accountable-for-their-community-benefit-expenditures/>

To provide for the level of transparency and accountability that citizens deserve from our publicly supported healthcare delivery system, MNA asks that members of the Legislative Audit Commission support an Office of the Legislative Auditor (OLA) audit that explores the topic of community benefit spending, including charity care, which includes answers to the following research questions:

- Is there any measurable association between higher reported community benefit expenditures and greater health outcomes in that community?
- Are reported charity care costs reflective of the actual costs accrued by reporting organizations to provide services to Minnesotans, and to what extent do current accounting and reporting processes actually track the true costs of providing care to individuals without the ability to pay?
- What do charity care policies look like across hospitals in the state, and how does policy variance across facilities impact eligibility?
- How does the amount of typical community benefit spending compare to the amount of tax liabilities these organizations are excluded from paying due to their tax-exempt (nonprofit) status?
- In what areas might changes to community benefit or other tax-exempt (nonprofit) hospital financial reporting be warranted in order to better leverage assets, including public resources and community hospitals, to better address community health needs?

A comprehensive audit of community benefit spending will shed light on the ways that the major health systems in our state, which are exempted from local and state taxes because they provide a community benefit, are actually giving back. We hope you will prioritize this effort, which would gather vital information that would be useful, or even essential, for informing future policy discussions around healthcare affordability, community health, and increased financial transparency in healthcare.

As always, please reach out if you have any questions.

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