



Maryland
Hospital Association

May 12, 2025

To:

Danielle McCray, Chair, Health, Environment, and Technology Committee
Zeke Cohen, President, Baltimore City Council

Re: City Council Bill 25-0036 – Baltimore City Payment In Lieu of Taxes Taskforce

Dear Chair McCray, President Cohen, and Councilmembers:

Baltimore City Council – Bill 25-0036 – Baltimore City Payment In Lieu of Taxes Taskforce Hearing

On behalf of the Maryland Hospital Association (MHA) and our member hospitals and health systems, thank you for the opportunity to provide informational testimony on City Council Bill 25-0036 – Baltimore City Payment In Lieu of Taxes Taskforce, the city’s 2016 Nonprofit Assessment Agreement with MHA’s member hospitals Bon Secours, Johns Hopkins Hospital, Johns Hopkins Bayview Medical Center, MedStar Good Samaritan, MedStar Harbor Hospital, MedStar Union Memorial, Mercy Medical Center, Sinai Hospital, St. Agnes Health Care, University of Maryland Medical Center, and University of Maryland Midtown, and the essential role hospitals have in the city’s health and economy.

Baltimore City’s nonprofit hospitals are cornerstones of community health and economic vitality. They are open 24/7/365—including during disasters, pandemics, and epidemics—caring for residents regardless of insurance status or ability to pay. They are major employers, educators, innovators, and partners in addressing the City’s most pressing health challenges. Hospitals also are pillars in their communities, operating vital programs outside their walls that reach deep into Baltimore’s neighborhoods.

Hospitals also are among Baltimore’s largest employers and engines of economic growth. They provide thousands of well-paying jobs, purchase goods and services from local vendors, and train the next generation of health professionals.

Healthy Hospitals = Healthy Communities

Maryland hospitals are facing the most challenging financial environment in recent history, driven by steep increases in labor, supply, and physician coverage costs, alongside growing insurance denials and infrastructure needs. More than half of the state’s hospitals have reported

negative operating margins in recent quarters, and the average margin remains far below the level needed for long-term sustainability. Many hospitals have been forced to defer hundreds of millions of dollars in essential capital investments.

Maryland hospitals also lag national peers on capital adequacy metrics, with older infrastructure and weaker cash reserves putting access to borrowing and credit ratings at risk. A sustained gap between expenses and revenue limits hospitals' ability to invest in patient experience, clinical quality, and workforce recruitment.

MHA and the hospital field have communicated to the Maryland Health Services Cost Review Commission and state legislators, that without urgent financial relief, hospitals may be forced to reduce services, delay innovation, or eliminate community-based programs essential to public health.

Looming federal funding cuts and changes to health care programs further threaten the financial health of hospitals. Congress is working on a reconciliation bill to enact key pieces of the President's agenda. The House Energy and Commerce Committee has been instructed to reduce deficits by at least \$800 billion. To achieve this goal, the committee is considering significant Medicaid cuts, which, if passed, could have dire impacts on hospitals, health care services, and the health of our communities.

But we don't have to wait for the federal budget to pass to see the impacts federal actions have on hospital budgets and programming. The Department of Justice recently eliminated a \$1.2 million grant to LifeBridge Health's Center for Hope which provided critical infrastructure support for cross-functional staff and initiatives central to both its Community Violence Intervention (CVI) work and the broader mission of the Center for Hope: advancing hope, healing, and resilience for those affected by trauma, abuse, and violence.

Investments Beyond the Bedside

Even amid these financial challenges, Baltimore's nonprofit hospitals deliver substantial and measurable community benefits.

Maryland hospitals, including those in Baltimore City, contribute a combined \$2.2 billion annually in community benefit, including programs and services that directly support Baltimore residents and the communities they live in. Community benefits include community health education, free clinics, preventive care programs, public health initiatives, vaccine drives, screenings, public health education campaigns, and efforts to expand access to food, transportation, and housing. Specifically, hospitals in Baltimore contributed \$1.2 billion in FY23 toward community health benefits in the city for health professional education, free medical services, and community building initiatives.

These investments directly address social drivers of health. They represent a return on community trust and an extension of the hospital mission beyond the bedside for the elderly, lower-income families, and those with chronic conditions.

A Longstanding Partnership with Baltimore

Baltimore City has long recognized the crucial role of nonprofit education and health care institutions. The modest tax-exempt status afforded to hospitals reflects their public mission—and the enormous value they return to the city in health services, community programming, and economic support.

In 2010, hospitals in Baltimore voluntarily entered into a nonprofit assessment agreement with the City for \$20.4 million over the course of six years (2011-2016). In 2016, hospitals voluntarily entered into another nonprofit assessment agreement for \$6 million annually over 10 years totaling \$60 million. While not technically PILOTS, the institutions voluntarily entered into these agreements to help the City during tough budget times demonstrating their commitments to the City and its residents above and beyond the community benefits discussed above.

Task Force and Tax Policy

As the Council considers establishing a task force to review the future of the City's PILOT agreements with other nonprofit and business entities and the Nonprofit Assessment Agreement with hospitals, we ask that it fairly recognize and protect the vital role of Baltimore's hospitals. These institutions are not only health care providers but foundational partners in creating a stronger, healthier, and more equitable city.

The nonprofit and tax-exempt status designations granted to hospitals under state and federal law recognize their charitable purposes and allow them to put money, expertise, and time back into their communities to keep Marylanders healthier. Any changes to tax policies contemplated by the proposed task force will affect their status and should be uniform and neutral, based on tax principles and informed by tax and finance experts.

For instance, actions that increase financial burdens on hospitals—such as reducing exemptions or imposing additional costs—would directly threaten their ability to sustain the very programs that address Baltimore's most pressing health and social challenges. When hospitals are forced to divert limited resources to cover new financial obligations, it often means cutting back on community benefit efforts that are not reimbursed. These are precisely the types of upstream investments that improve public health, reduce disparities, and strengthen neighborhoods. Preserving hospitals' financial stability is not just about maintaining operations—it is about protecting access, equity, and innovation in care delivery. Baltimore's hospitals serve as a safety net for thousands of residents, and their long-term viability depends on thoughtful, balanced, policy decisions made today.

For more information, please contact:
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