



Tax Insights
from Exempt Organization
Tax Services

Congressional hearing reinforces continued scrutiny of nonprofit hospitals and healthcare systems

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In brief

What happened?

The House Ways and Means Committee held an April 28 hearing on the impact of rising healthcare costs on patients and families. The hearing featured testimony from executives of both nonprofit and for-profit health systems, as well as policy experts. A significant portion of the questioning focused on nonprofit hospital systems.

During the hearing, lawmakers challenged hospital leaders on several key issues, including, in the lawmakers' view:

- the rise in hospital prices despite expanded ACA coverage;
- whether tax-exempt status of nonprofit hospitals appropriately reflects their community benefit;
- the adequacy and transparency of charity care provided; and
- the impact of consolidation strategies and facility fees on escalating costs and patient price transparency.

Why is it relevant?

The hearing highlights the ongoing federal scrutiny of nonprofit hospitals—not only from a tax perspective but also across broader policy, pricing, and operational issues. It follows the March 30, 2026, release of a Congressional Research Service (CRS) report titled “Nonprofit Hospitals, Tax Benefits, and Charity Care,” which questioned whether nonprofit hospitals provide sufficient community benefit relative to the tax advantages they receive (for more details, see our [PwC Insight on the CRS report](#)).

Actions to consider

Nonprofit healthcare organizations may want to consider reassessing whether their levels of community benefit and charity care are clearly aligned with the tax advantages they receive and defensible under increased federal scrutiny. Strengthening the organization’s narrative and transparency around pricing structures, financial assistance programs, and overall community impact could provide significant benefits.

Additionally, organizations may want to review their reporting and compliance frameworks—including Form 990 reporting practices, Section 501(r) compliance, and the consistency and defensibility of disclosures. From a strategic perspective, organizations may want to reevaluate pricing and consolidation strategies through the lens of how these actions could be perceived by regulators and policymakers.

Ongoing monitoring of policy developments remains critical, particularly potential changes related to minimum charity care requirements, enhanced IRS oversight, revised community benefit standards, and the tax treatment of nonprofit hospital assets. Simultaneously, organizations may want to proactively mitigate trust and reputational risks by developing a clear, data-supported narrative that demonstrates community value, access improvements, and responsible financial stewardship.

In detail

Background

According to data cited in the March CRS report, tax benefits granted to US nonprofit hospitals total around \$37.4 billion annually, yet approximately 80% of these hospitals provide community benefits valued below their tax benefits. The April Ways and Means Committee hearing further examined whether (1) pricing practices align with the nonprofit mission, (2) community benefits are measurable and transparent, (3) consolidation and billing practices contribute to higher costs, and (4) current IRS tax-exemption standards are adequate.

Affordability tied to nonprofit accountability

The hearing emphasized that healthcare affordability is increasingly framed not just as an industry-wide issue but as one closely tied to institutional behavior—particularly among large hospital systems. Lawmakers questioned whether expanded funding and coverage have translated into lower costs, whether hospitals are fulfilling the expectations attached to their tax-exempt status, and whether their financial practices align with their nonprofit missions.

Community benefit and charity care under pressure

Echoing themes from the CRS report, the hearing highlighted ongoing concerns previously raised by legislators. The report noted that the community benefit standard lacks clear quantitative thresholds; charity care accounts for a relatively small portion of total hospital spending; and many nonprofit hospitals provide less community benefit than the value of their tax exemptions. These concerns were reinforced during the hearing through direct questioning of hospital executives, comparisons between nonprofit and for-profit systems, and calls for greater transparency and measurable standards.

Observation: Together, the CRS report and hearing could signal potential future legislative and regulatory actions, including establishing minimum charity care thresholds, more prescriptive definitions of community benefit, and strengthened IRS oversight and reporting requirements.

Pricing practices and facility fees as focal points

Hospital pricing behavior emerged as a central theme, with particular attention on facility fees applied after physician practice acquisitions, significant price disparities between hospital-owned and independent settings, and the lack of clear, upfront pricing for patients. Lawmakers highlighted that identical services could cost substantially more in hospital-owned facilities and criticized the limited patient visibility into pricing before care—raising concerns that current pricing structures may not reflect perceived value.

Consolidation and market power concerns

Several lawmakers expressed concern that hospital consolidation reduces competition, drives up prices without improving access or quality, and enables the spread of higher-cost billing models. While some hospital executives testified that consolidation is often necessary to preserve rural access, support unprofitable service lines, and address workforce shortages, policymakers indicated that market power remains a key issue warranting closer scrutiny.

Tax-exempt status questioned

The hearing included pointed questioning regarding nonprofit hospital tax-exempt status. Topics raised included executive compensation, investment income and asset allocation, the adequacy of community benefit relative to tax advantages, and whether current reporting practices—such as system-level versus facility-level disclosures—provide sufficient transparency. These inquiries align closely with the CRS report findings and could suggest potential future legislative focus on tax policy reforms.

Structural cost drivers discussed

Hospital representatives cited underpayment from Medicare and Medicaid, rising labor and pharmaceutical costs, shifting patient demographics, and administrative burdens as significant financial pressures. While some policymakers acknowledged these challenges, others raised additional concerns including insurance coverage instability, executive compensation levels, and inefficiencies in government healthcare programs.

Tax-exempt hospitals' charitable purpose emerging as key risk

Policymakers questioned whether nonprofit hospitals are prioritizing patient care over financial performance, suggesting that prior policy efforts—including the Affordable Care Act—have not delivered the expected affordability outcomes. Consequently, scrutiny is intensifying around whether nonprofit hospitals meet standards of transparency, perceived fairness, and alignment with their charitable missions.

Observation: These issues underscore persistent legislative efforts on price transparency and indicate a growing likelihood of future legislative and regulatory measures targeting nonprofit hospital accountability.

The takeaway

The April 28 Ways and Means hearing underscores the sustained scrutiny of nonprofit healthcare. Alongside the CRS report and prior investigations, it signals continued interest in expanding oversight focused on tax-exempt status, community benefit, pricing practices, and market behaviors. Nonprofit healthcare organizations should anticipate ongoing attention and prepare for a future where demonstrating measurable community value is increasingly important.

Let's talk

For a deeper discussion of how these developments may affect your organization, please reach out to your PwC engagement team or a member of our Exempt Organization Tax Services practice:

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