Using the Affordable Care Act's "Community Benefit" to Support Individuals Subject to Medicaid Work Requirements

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Introduction

As states move to implement Medicaid work requirements, low-income enrollees will face barriers to maintaining health coverage. Nonprofit hospitals can help address these barriers in creative ways. Indeed, because they enjoy the benefits of federal tax-exempt status, these entities are well- positioned to help address barriers. A little-referenced federal law requires non-profit hospitals to identify and implement plans that address unmet needs in the community.

This paper explains how state advocates can leverage the community benefit requirements set forth in the Internal Revenue Code to engage hospitals as partners in supporting Medicaid recipients subject to work requirements.

Nonprofit Hospitals and the "Community Benefit" Obligation[1]

The majority of hospitals in the United States (roughly 59%) hold nonprofit status under Internal Revenue Code § 501(c)(3). This status confers financial advantages: exemption from federal, state, and local income, property, and sales taxes and the ability to receive tax-deductible donations. The Joint Committee on Taxation estimates the total value of these benefits at around $12.6 billion per year. In exchange, nonprofit hospitals are expected to provide meaningful benefits to the communities they serve — called "community benefit."

In the mid-2000s, Congress and federal regulators began to tighten this standard after government accountability studies found that — while nonprofit hospitals provided only slightly more uncompensated care, on average, than for-profit hospitals — non-profit hospitals provided care to fewer Medicaid patients as compared to the total patient population.

In 2010, the Affordable Care Act (ACA) added new section 26 U.S.C. § 501(r) to the Internal Revenue Code, establishing binding requirements that each nonprofit hospital must meet to retain its tax-exempt status.

Section 501(r) Requirements: Community Health Needs Assessments and Community Benefit

The requirements under the ACA fall into several categories: written financial assistance policies, limits on charges to low-income patients, and restrictions on aggressive billing and collection practices. One of the most powerful tools for state advocates is the **Community Health Needs Assessment (CHNA)** requirement under § 501(r)(3). Under the CHNA requirement, every nonprofit hospital facility must:

- Conduct a **formal CHNA at least once every three years**;
- **Incorporate input from people who "represent the broad interests of the community** served" by the hospital, including those with "special knowledge of or expertise in public health;"
- **Make the CHNA "widely available" to the public**;
- Adopt a **written implementation plan** describing how the hospital will meet the identified community health needs;[2] and
- **Publicly report** on which identified needs are unmet and the reasons why.

Later IRS guidance prohibits hospitals from defining "community" in a way that excludes medically underserved populations, low-income persons, minority groups, and those with chronic disease needs.[3]

Hospitals must report their community benefit activities to the IRS on Form 990, Schedule H.[4] Nonprofits that fail to comply with these requirements face a tax penalty of $50,000 per year, and risk losing their § 501(c)(3) tax-exempt status entirely.

Connecting the CHNA and Community Benefit to Medicaid Work Requirements

Congress is requiring states to impose community engagement ("work") requirements on certain Medicaid recipients under 42 U.S.C. § 1396a(xx). These requirements obligate Medicaid applicants and enrollees eligible for or enrolled in the expansion group of childless, nondisabled adults to document employment, job training, education, community service, or qualifying exemptions to obtain or maintain coverage.[5] There is great concern individuals forced to navigate these requirements face significant barriers to maintaining access to coverage and care.

At the same time, the CHNA process requires nonprofit hospitals to identify and respond to the unmet health needs of low-income and underserved community members. Barriers to Medicaid coverage caused by work requirements—including lack of access to

qualifying employment, volunteer, or job training programs; digital literacy gaps; transportation barriers; and confusion about documentation requirements—fall squarely within the scope of community health needs that hospitals should be called upon to address.[6] In other words, helping Medicaid applicants and recipients comply with work requirements and maintain coverage is a concrete community benefit activity.

Suggested Questions for Nonprofit Hospitals

Using the questions below, state advocates can identify community benefit activities by their non-profit hospitals that will support individuals in complying with Medicaid work requirements. Advocates can then press their community hospitals to revise their CHNAs and implementation plans and activities accordingly.

- Is this hospital a tax-exempt organization under 26 U.S.C. § 501(c)(3)?
- What is the Medicaid population in the geographic area served by the hospital? What share of the hospital's actual patient population is covered by Medicaid?
- Has the hospital filed an IRS Form 990, Schedule H in recent years, and what does that filing disclose about the volume and type of community benefit activities conducted?
- When did the most recent community needs assessment occur? When is the hospital's next CHNA due (noting this must occur every three years)?[7]
- Are the hospital's most recent CHNA and implementation plan publicly available? If not, ask the hospital for copies.
- What unmet needs were identified in the prior CHNA and implementation plan? How do (or can) these needs relate to Medicaid work requirement compliance, for example: access to health care and coverage; unemployment rates; school enrollment; transportation barriers; volunteer opportunities; job training opportunities?
- Did the implementation plan include activities that can be used or easily modified to incorporate explicit attention to achieving compliance with work requirements by Medicaid enrollees?
- What are other demographics about the hospital's patient population that relate to work requirement compliance (*e.g.*, income level; age; limited English speaking; have a disability and/or serious or complex health need including a behavior health need)?

- Are the potential barriers that will arise with the implementation of Medicaid work requirements sufficiently high in the hospital's service area such that you can push for immediate revision of the CHNA and implementation plan?

- Who serves on the hospital's Board of Directors (noting the Board must approve community benefit plans)?[8] Does your organization have contacts with any of these individuals such that you can approach them on these activities?

- How has the hospital engaged the community when developing its CHNA? Which community members/organizations were involved? If Medicaid enrollees and community groups (including legal aid/disability rights organizations) supporting them have not been sufficiently involved, press for their involvement now. When getting input from community, the hospital should be encouraged to include those who must comply with work requirements, along with groups assisting them.[9]

- Does the hospital have existing relationships with community-based organizations (federally qualified health centers (FQHCs), legal aid, workforce development agencies, United Way, community health workers) that could be leveraged for work requirement compliance assistance?

- What specific activities can the hospital be pressed to include in a strategy and implement to assist individuals with compliance, for example: patient navigation services, on-site enrollment and documentation assistance, creating volunteer positions in the facility or community, transportation assistance to on-side work; or partnerships with workforce development agencies?

- What dollar amount and staffing resources is the hospital willing to commit, through its community benefit budget, to supporting Medicaid work requirement compliance assistance programs in the community it serves?

- Will the hospital partner with or fund community-based organizations already providing work requirement compliance support — such as legal aid societies, benefits navigators, or workforce training programs — as a means of directing community benefit dollars toward this identified need?[10]

Conclusion

The community benefit obligation under § 501(r) offers state advocates a practical tool for supporting Medicaid applicants and enrollees as states begin to implement work requirements. The questions outlined above can help advocates identify non-profit hosptials

and inform their CHNA priorities. The aim is for the hospital to direct community benefit resources toward programs that help individuals successfully navigate Medicaid's new work requirement and maintain this essential health coverage.

ENDNOTES

[1] For a comprehensive overview of the "community benefit" requirements, on which this explainer heavily relies, *see* Corey Davis, *Nonprofit Hospitals and Community Benefit*, NHeLP (July 2011), https://healthlaw.org/wp-content/uploads/2018/09/2011_07_08_Nonprofit_Hospitals_and_Community_Benefit.pdf.
[2] While the implementation plan is separate from the CHNA report—which hospitals must make widely available—in accordance with 26 C.F.R. § 1.501(r)-3(b)(6)(i)(F), a CHNA must incorporate "[a]n evaluation of the impact of any actions" taken in response to prior CHNAs, if the implementation plan is not readily accessible, subsequent CHNAs should reflect the contents of those plans.
[3] *See* IRS, Notice 2011-52, *Notice and Request for Comments Regarding the Community Health Needs Assessment Requirements for Tax-Exempt Hospitals*, available at http://www.irs.gov/pub/irs-drop/n-11-52.pdf.
[4] Schedule H filings are publicly available at www.guidestar.org.
[5] For an overview of work requirements, *see* Center for Health Care Strategies, A Summary of Federal Medicaid Work Requirements (Dec. 2025), https://www.chcs.org/resource/a-summary-of-national-medicaid-work-requirements/. *See also* National Health Law Program, "How to Prepare for Medicaid Work Requirements," https://healthlaw.org/resource/webinar-how-to-prepare-for-medicaid-work-requirements/.
[6] Letter from Jennifer DeCubellis, President and CEO, America's Essential Hospitals, to Dr. Mehmet Oz, Admin., Ctr. for Medicaid & Medicare Servs. (March 12, 2026), https://essentialhospitals.org/wp-content/uploads/2026/03/Work-Requirement-Letter-March26.pdf.
[7] 26 U.S.C. § 501(r)(3)(A)(i); 26 C.F.R. § 1.501(r)-3(a)(1).
[8] 26 C.F.R. § 1.501(r)-3(b)(1)(iv).
[9] *Id.* at § 1.501(r)-3(b)(5)(i)(B) (requiring the hospital to "solicit and take into account input from…[m]embers of medically underserved, low-income, and minority populations in the community served by the hospital…").
[10] *See id.* at § 1.501(r)-3(b)(5)(ii) (allowing hospitals to "…solicit and take into account input received from a broad range of persons located in or serving its community…" and listing consumer advocates and nonprofit and community-based organizations as examples).