

Charitable Mission, Limited Immunity: What NJ's Supreme Court Says About Federally Qualified Health Centers

Client Alert

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What You Need to Know

- The New Jersey Supreme Court recently reversed the Appellate Division in an important decision for healthcare providers operating at the intersection of charitable mission and healthcare delivery.
- The Court held that under the New Jersey Charitable Immunity Act, a healthcare provider does not qualify as an “educational” entity for purposes of full charitable immunity solely because it provides patient education, community outreach, health information, or related programming as part of its healthcare mission.
- Federally qualified health centers and similar nonprofit providers should review their corporate documents, mission statements, bylaws, insurance coverage, and risk management practices to assess the potential impact of this ruling on their charitable immunity status.

The New Jersey Supreme Court recently issued an important decision for nonprofit healthcare providers, federally qualified health centers, and other organizations operating at the intersection of charitable mission and healthcare delivery.

In *Cassandra Gigi Smith v. Newark Community Health Centers, Inc.*, the Court considered whether Newark Community Health Centers, Inc. (NCHC), a federally qualified health center, was entitled to full immunity under the [New Jersey Charitable Immunity Act](#) or instead subject to the Act's [more limited damages cap](#).

The Court held that NCHC was not entitled to complete charitable immunity but was entitled to the \$250,000 damages cap, which applies to certain nonprofit entities organized exclusively for hospital purposes.

Background

This case arose from a negligence claim brought by a patient who alleged that she was injured after slipping and falling on a wet floor outside an examination room at NCHC's East Orange facility after receiving medical treatment. NCHC asserted charitable immunity as a defense, arguing that it was a nonprofit entity organized for charitable and educational purposes and therefore immune from liability under Section 7 of the Charitable Immunity Act.

The trial court granted summary judgment in favor of NCHC, and the Appellate Division affirmed. The Appellate Division reasoned that NCHC qualified for full immunity because it was organized for educational purposes, broadly construed, and because the plaintiff was a beneficiary of NCHC's works at the time of the incident. The Supreme Court reversed that decision.

The Court's Holding

In rejecting NCHC's argument that it qualified for full immunity as an organization formed exclusively for educational or charitable purposes, the Supreme Court clarified that a healthcare provider does not become an "educational" entity for purposes of full charitable immunity solely because it provides patient education, community outreach, health information, or related programming as part of its healthcare mission.

Instead, the Court focused on NCHC's core function: the delivery of healthcare services. NCHC, as a federally qualified health center, provides primary care and related services to underserved populations, including insured, uninsured, and underinsured patients. While the Court acknowledged those services serve an important public purpose, it concluded that they fall within the Charitable Immunity Act's provisions governing nonprofit entities organized for hospital purposes, making the statutory damages cap applicable.

The Court's analysis turned on NCHC's dominant purpose and actual operations, rather than the broad language in its certificate of incorporation. Although NCHC's governing documents referenced educational and charitable purposes, the Court concluded that its primary function was the provision of medical and dental care, and that its community outreach and patient education efforts were incidental to that mission. The Court therefore concluded that NCHC was organized exclusively for hospital purposes and was entitled to the Act's \$250,000 statutory damages cap.

Why This Decision Matters

This decision is significant for nonprofit healthcare entities because it reinforces that healthcare providers will not automatically qualify for complete charitable immunity simply because they operate as nonprofits or engage in educational and community outreach activities.

For federally qualified health centers and similar nonprofit providers, the decision suggests that courts will look beyond broad mission statements and corporate purpose clauses referencing charitable, educational, or scientific purposes to consider the practical nature of the organization's operations. Where the entity's primary function is the provision of healthcare services, courts may be more likely to treat the organization as operating for hospital

purposes, triggering the statutory damages cap rather than complete immunity.

That distinction is important. The statutory damages cap does not operate as a complete bar to legal claims. Unlike full charitable immunity under Section 7, which can result in dismissal of a negligence claim altogether, the cap permits the claim to proceed but limits the nonprofit healthcare entity's monetary exposure. Section 8, by contrast, states that a nonprofit entity organized exclusively for hospital purposes may be liable for negligence, but only allows liability up to \$250,000, together with interest and costs of suit, for any one accident. In practical terms, the plaintiff may still establish liability and recover damages, but any recovery against the covered nonprofit entity is capped by statute.

This is why the Court's classification of NCHC mattered: NCHC avoided complete exposure, but it did not avoid the lawsuit entirely.

Practical Takeaways for Healthcare Providers

The Supreme Court's decision in *Smith v. Newark Community Health Centers* provides important guidance for healthcare organizations at the intersection of nonprofit status, charitable mission, and immunity from liability. In light of this, healthcare providers should review their corporate documents, mission statements, bylaws, insurance coverage, and risk management practices to assess whether they are likely to be characterized as charitable organizations entitled to full immunity or as entities organized for hospital purposes subject to the Act's damages cap.

The ruling in this case also reinforces the importance of premises safety and incident response protocols. Even where a damages cap may apply, claims can still proceed, and healthcare entities should continue to maintain strong policies around facility maintenance, documentation, patient safety, and insurance reporting.

Please contact the author of this Alert with questions or to discuss your specific business circumstances.

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