



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# Community Health Needs Assessment: Legal Requirements, Practical Opportunities

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June 25, 2013

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AcademyHealth Annual Research Meeting

# Presentation Overview

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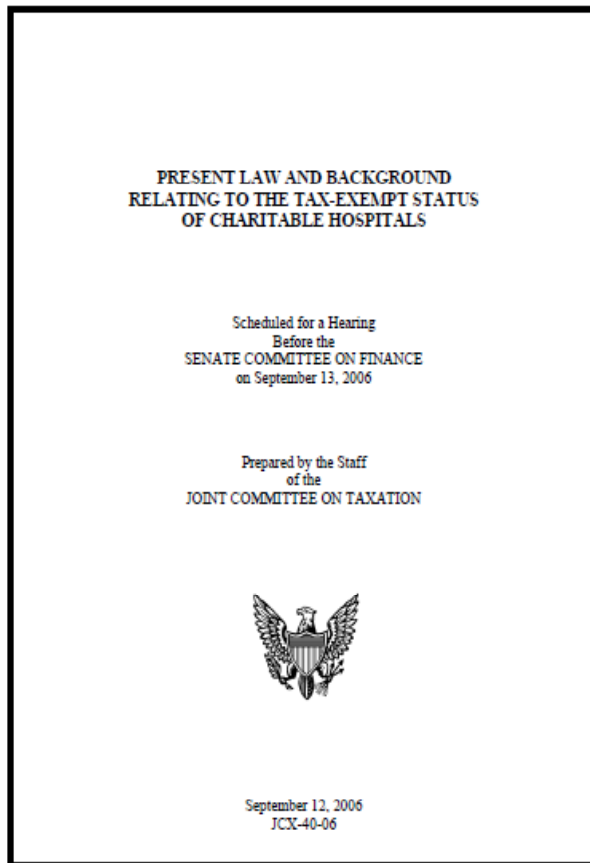
- Background: Hospital charity care, community benefits & tax exemption
- Federal community health needs assessment (CHNA) & implementation strategy
- Collaborative needs assessment
- Role of NP hospitals in health system transformation

# What Are Hospital Community Benefits?

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- What nonprofit (NP) hospitals provide to benefit their communities—besides reimbursed medical care
- Charitable mission
- **A condition of tax exemption**

# Incentive: Value of NP Hospital Tax Exemption: \$12.6 Billion



## Estimated Value of Tax Exemptions Provided to Nonprofit Hospitals, 2002

	Value (Billions of dollars)
Corporate Income Tax (Federal)	2.5
Tax-Exempt-Bond Financing (Federal)	1.8
Charitable Contributions (Federal)	1.8
Corporate Income Tax (State)	0.5
Sales Tax (State and local)	2.8
Property Tax (Local)	3.1
<b>Total</b>	<b>12.6</b>

Source: Joint Committee on Taxation.

<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/76xx/doc7695/12-06-nonprofit.pdf>;  
<https://www.jct.gov/publications.html?func=startdown&id=1481>

# Value of NP Hospital Tax Exemption: **Federal & State**

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- NP Hospital Tax Exemption: \$12.6 Billion
  - Federal: \$6.1 Billion
  - State & local: \$6.4 Billion
- To qualify for both federal and state tax exemptions, a NP hospital must comply with **both** federal **and** state community benefit standards

# Federal Tax Exemption Standard for NP Hospitals

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- **1919:** Income tax exemption for entities organized and operated “exclusively for charitable purposes”
  - Hospital tax exemption supported by free & discounted care (IRS)
- **1965:** Medicare & Medicaid
- **1969 IRS:** Broader standard: “community benefits”: charity care & other benefits to the community as a whole (IRS)

# Public opinion: Nonprofit hospital behavior

“In Their Debt” *Baltimore Sun* series (2008)

Willie Mae White lived on Social Security and food stamps after decades of working as a housekeeper. After emergency brain surgery, the hospital bill was over \$36,000. When she couldn't pay, the hospital sued. Afraid she would lose her home, she agreed to pay \$500 at once and \$50 each month out of a \$1,080 Social Security check that supported both her and her husband. It would have taken 59 years to repay the debt.

<http://www.baltimoresun.com/news/nation-world/baltimore.hospitaldebt21dec21,0,2142300.story#ixzz2WyjQomyr>



# Impact → Public Opinion

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- Over 60% of personal bankruptcies in United States due to medical debt
- About half of residential foreclosures due to medical debt





The United States Senate  
**COMMITTEE on FINANCE**  
MAX BAUCUS, CHAIRMAN ORRIN G. HATCH, RANKING MEMBER

For Immediate Release

September 12, 2006

## Grassley Releases Non-profit Hospital Responses, Expresses Concern Over Shortfalls in Charity Care, Community Benefit

MEMORANDUM

To: Reporters and Editors

Re: Non-profit hospital responses to Finance Committee

Da: Tuesday, Sept. 12, 2006



<http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/76xx/doc7695/12-06-nonprofit.pdf>

<http://www.grassley.senate.gov/about/This-month-in-photos-February-2010.cfm>

# Internal Revenue Service Form 990 Redesign for Tax Year 2008 December 20, 2007

**SCHEDULE H  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

## Hospitals

▶ To be completed by organizations that answer "Yes" to Form 990,  
Part IV, line 20.  
▶ Attach to Form 990.

OMB No. 1545-0047

# 2008

**Open to Public  
Inspection**

Name of the organization

Employer identification number

**Part I** Charity Care and Certain Other Community Benefits at Cost *(Optional for 2008)*

- |  | Yes                      | No                       |
|--|--------------------------|--------------------------|
| <b>1a</b> Does the organization have a charity care policy? If "No," skip to question 6a . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>b</b> If "Yes," is it a written policy? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>2</b> If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals.   |                          |                          |
| <input type="checkbox"/> Applied uniformly to all hospitals  |                          |                          |
| <input type="checkbox"/> Generally tailored to individual hospitals  |                          |                          |
| <input type="checkbox"/> Applied uniformly to most hospitals   |                          |                          |
| <b>3</b> Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.  |                          |                          |
| <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: . . . . . | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %   |                          |                          |
| <b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: . . . . .                  | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %   |                          |                          |

	Yes	No
<b>1a</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>1b</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2</b>		
<b>3a</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3b</b>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Financial Assistance and Means-Tested Government Programs</b>		(a) Number of activities or programs (optional)	(b) \$ (o)
<b>a</b>	Financial Assistance at cost (from Worksheet 1) . . . . .		
<b>b</b>	Medicaid (from Worksheet 3, column a)		
<b>c</b>	Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .		
<b>d</b>	<b>Total</b> Financial Assistance and Means-Tested Government Programs		
<hr/>			
<b>Other Benefits</b>			
<b>e</b>	Community health improvement services and community benefit operations (from Worksheet 4) . . . . .		
<b>f</b>	Health professions education (from Worksheet 5) . . . . .		
<b>g</b>	Subsidized health services (from Worksheet 6) . . . . .		
<b>h</b>	Research (from Worksheet 7) . . . . .		
<b>i</b>	Cash and in-kind contributions for community benefit (from		

# 2010 CHNA Requirements of ACA §9007 (I.R.C. §501(r))

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- At least every 3 years, each NP **hospital facility** must conduct a CHNA that:
  - “(i) takes into account input from **persons who represent the broad interests of the community served** by the hospital facility, including those with special knowledge of or expertise in public health, and
  - (ii) is made widely available to the public.”**

# April 2013: IRS/Treasury Notice of Public Rulemaking

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- Interprets, adds specificity to the ACA's CHNA requirements
- Themes:
  - Community engagement
  - Health Equity
  - Transparency
  - Accountability of all hospital facilities

# April 2013: IRS/Treasury Notice of **Proposed**\* Rulemaking

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Each hospital facility's CHNA must:

1. Define the community served
2. Assess & prioritize the community's health needs
3. Take into account community & expert input
4. Develop a written CHNA report,
5. Make it widely available to the public

*\*Public comment period closes on July 5, 2013*

# 1. Define the community

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- Besides service area, may also consider:
  - Target populations the hospital serves
  - Hospital principal functions (e.g., specialty)
  - Populations in addition to its patient populations
  - Geographic areas outside its service area

# 1. Define the community continued

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- May not define its community to exclude medically underserved, low-income, or minority populations who:
  - Are part of the hospital's patient population
  - Live within its service area, or
  - Otherwise should be included based on the method the hospital facility uses to define its community



## 2. Assess the community's health needs

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- Identify community's significant health needs
- Prioritize those needs
- Identify resources available to address those needs

### 3. Take into account community & expert input

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- Input from persons who represent the broad interests of the community,
- Including those with special knowledge of or expertise in public health
- Must take into account input from:
  - At least one non-federal governmental public health department with knowledge, information, or expertise relevant to the health needs of the community

### 3. Take into account community & expert input continued

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- Must take into account input from:
  - Medically underserved, low-income, and minority populations in the community
  - Written comments received on the hospital facility's most recently conducted CHNA and implementation strategy

## 4. Written CHNA Report

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- Adopted by an “authorized body of the hospital facility”
- Must include the hospital’s definition of its community and describe:
  - Its CHNA process & how public and public health input taken into account
  - Prioritized significant health needs, and how significance and priorities determined
  - Resources identified to address these needs

## 5. Make CHNA report widely available to the public

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- CHNA report posted conspicuously on website
- Provide the website address upon request
- Make a paper copy available for public inspection without charge

# Collaborative CHNAs

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- Multiple hospitals may conduct a collaborative CHNA, prepare a joint CHNA report if:
  - Each hospital facility adopts the same community definition and participates in a joint CHNA process
  - Joint report clearly identifies each hospital facility
  - Joint report adopted by the authorized body of each collaborating hospital facility

# Implementation Strategy: Plan of Action

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- For each significant health need, the implementation strategy must either:
  - Describe how the hospital will address the need, or
  - Explain why the hospital will not address the need
- Evaluation plan
- Attach strategy to 990:H
  - Delayed implementation until **final** regulations

# Collaborative Implementation Strategies

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- A hospital facility that adopts a joint CHNA report may also adopt a joint implementation strategy, if it:
  - Clearly identifies the hospitals to which it applies
  - Clearly identifies each hospital's role and responsibilities
  - Includes a summary or tool to aid understanding



# CHNA Best Practice: Multi-Sector Collaboration

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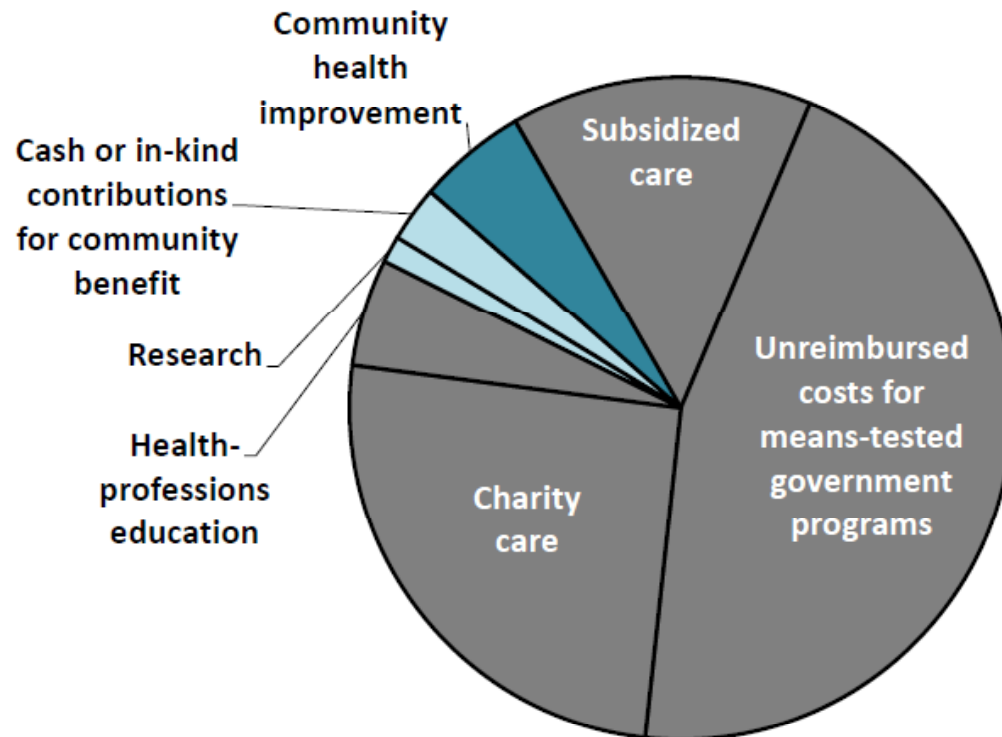
## ■ Community collaboration

*A successful community partnership “involves a long-term mutual commitment, a genuine desire of each partner to understand the other, **benefits to each partner that outweigh the costs of the partnership**, and meaningful collaboration in defining agendas and action strategies. Through this kind of genuine partnership trust can be established, and this ultimately gets translated into a more powerful system to address community health problems and to advocate for policy support.”*

Institute of Medicine Committee on Public Health. (1996).

Healthy communities: New partnerships for the future of public health. Washington, DC: National Academies Press, pp. 34-35.

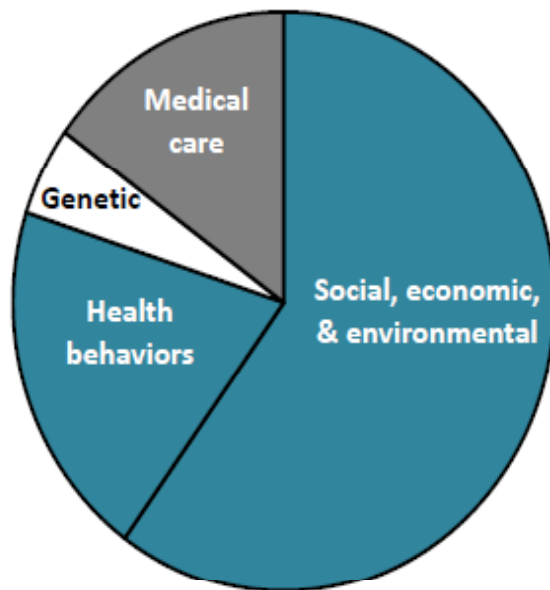
# NP Hospital Community Benefit Allocation (2009)



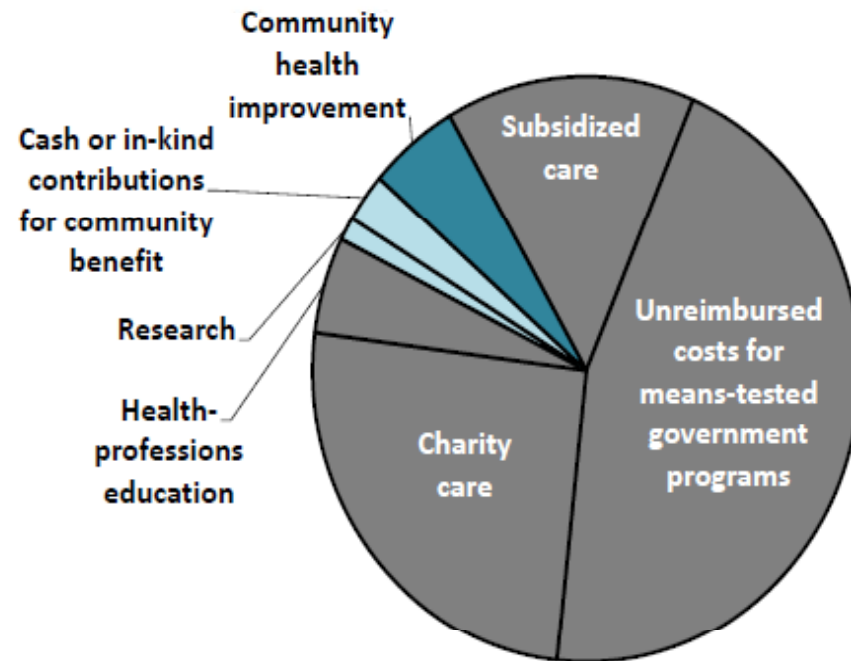
Based on Young, G., et al. (2013). Provision of community benefit by tax-exempt U.S. hospitals. *M Engl J Med*, 368, 16.

# Refocus Community Benefit Resources?

Health Determinants\*



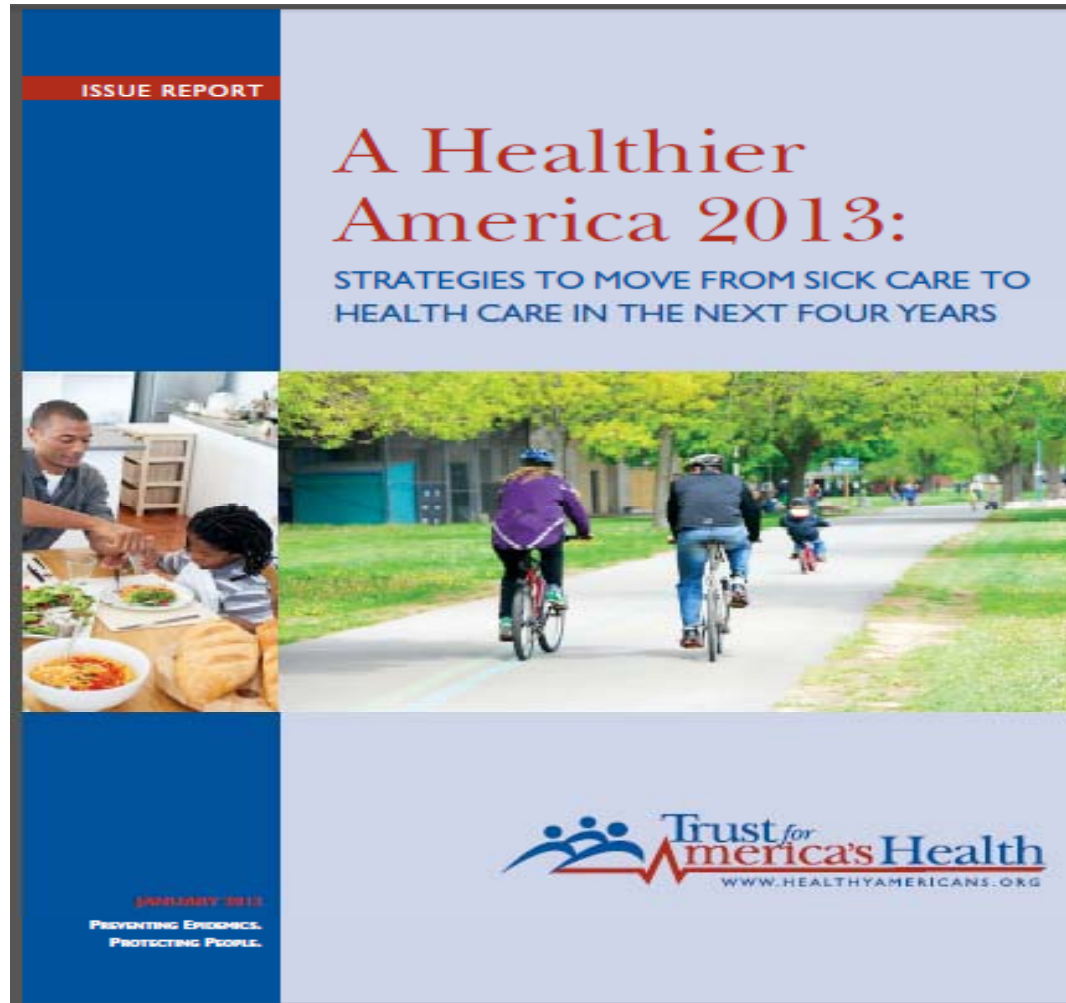
Hospital-Reported Community Benefit Costs (2009)\*\*



\* Based on: Tarlov, A. (1999). Public policy frameworks for improving population health. *Ann NY Acad Sci*, 896, 281-9.

\*\* Based on Young, G., et al. (2013). Provision of community benefit by tax-exempt U.S. hospitals. *M Engl J Med*, 368, 16.

# From Sick Care to Health Care



# Role of Community Benefit in Transforming Health System

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- NP hospital engagement with their communities to improve community health
- Transparency  
Information → Knowledge → Power
- Redirection of charity care community benefits to upstream prevention that addresses social, economic, environmental health determinants

# About The Hilltop Institute and Hilltop's Hospital Community Benefit Program

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The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and wellbeing of vulnerable populations. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels. [www.hilltopinstitute.org](http://www.hilltopinstitute.org)

*Funded by the Robert Wood Johnson Foundation and the Kresge Foundation, Hilltop's Hospital Community Benefit Program is a central resource created specifically for state and local policymakers who seek to ensure that tax-exempt hospital community benefit activities are responsive to the unique needs of their communities.*

<http://www.hilltopinstitute.org/hcbp.cfm>

*The content of this presentation is provided for informational purposes only and is not legal advice. The Hilltop Institute does not enter into attorney-client relationships.*

# Contact Information

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