AN INTRODUCTION TO
COMMUNITY BENEFIT

Community Benefit Connect - 2016
WHAT IS COMMUNITY BENEFIT?
COMMUNITY BENEFIT

- Communicates your commitment to mission.
- Addresses the health needs of your community.
- Reinforces your business strategy.
- Supports important community partnerships.
- Ensures compliance with state and federal regulations.
WHAT IS COMMUNITY BENEFIT?

Programs or activities that provide treatment, directly influence access to care and/or promote health and healing as a response to community needs in order to improve the health status of a community.


IRS Ruling 69-545

To qualify from exemption from Federal income tax, hospitals must meet the community benefit standard to “…promote the health of a class of persons that is broad enough to benefit the community”
COMMUNITY BENEFIT PROGRAMS AND ACTIVITIES

1. Must address an identified community need.

2. Must meet at least one of the following objectives:
   a. Improve access to health care services
   b. Enhance health of the community
   c. Advance medical or health care knowledge
   d. Relieve/reduce the burden of government or other community efforts

The Affordable Care Act (ACA), Enacted in 2010, Sets Forth Requirements For Nonprofit Hospitals Under § 501(r) of the Internal Revenue Code. There Are a Number of Regulations For Tax-exempt Hospitals.

- Conduct a Community Health Needs Assessment (CHNA) every three years, identify significant health needs, and develop an Implementation Strategy to address the needs identified by the CHNA.
- Establish written financial assistance and emergency medical care policies.

- Limit the amounts charged for emergency or other medically necessary care to individuals eligible for assistance under the hospital's financial assistance policy (FAP).
- Make reasonable efforts to determine an individual's eligibility for assistance under the hospital’s financial assistance policy before engaging in extraordinary collection actions against the individual.
Tax exempt hospitals are required to report annually to the IRS on Form 990 Schedule H.

Reporting includes community benefit financial data and responses to questions that track compliance with the 501(r) rules.
Community Benefit

STATE REGULATIONS
In 2015, 25 states had requirements for community benefit.

While there may be similarities in federal and state requirements, the regulations may not align. State regulations may be more or less rigorous than the Federal requirements.
COMMUNITY BENEFIT
OVERVIEW OF REQUIREMENTS*

- Annually track and measure community benefit activities and programs.
- Report financial valuation of community benefit to the IRS and the state.
- Conduct a Community Health Needs Assessment (CHNA) every three years.
- Identify significant health needs in your community.
- Widely distribute CHNA and solicit community comment.
- Develop an Implementation Strategy to address priority needs.
- Obtain Board approval.
- Measure impact of community benefit strategies.
- Increase transparency through community input and oversight.
- Align with local partners to address health needs.

*Partial listing
Report to Congress on
Private Tax-Exempt,
Taxable, and Government-
Owned Hospitals

January 2015
<table>
<thead>
<tr>
<th>Percent of Hospital Expenses</th>
<th>National IRS Report 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity Care and Medicaid Shortfall</td>
<td>5.42%</td>
</tr>
<tr>
<td>Community Health Initiatives</td>
<td>4.24%</td>
</tr>
<tr>
<td>Total</td>
<td>9.67%</td>
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How Are Hospitals Faring Under the Affordable Care Act? Early Experiences from Ascension Health

Apr 30, 2015 | Peter Cunningham, Rachel Garfield, and Robin Rudowitz

- Compared to hospitals in states that did not expand Medicaid, Ascension Health hospitals in states that expanded Medicaid experienced larger increases in Medicaid discharge volumes and decreases in uninsured/self-pay volume from 2013 to 2014.

- Charity care costs decreased 40.1% among hospitals in Medicaid expansion states compared to 6.2% in non-expansion states. However, another component of cost of care to the poor, Medicaid shortfalls – the difference between what Medicaid pays and the costs of treating Medicaid patients – increased 31.9% between 2013 and 2014.
ROSENBAUM, ET. AL. JULY 2015

Rosenbaum and a team at Milken Institute SPH have worked with the Robert Wood Johnson Foundation to develop a website that communities, the broader public, policymakers and others will be able to use to determine how much a given hospital spends on community health improvement versus charity care or other areas. Once the tool is ready, communities will be able to log on to the site, plug in their local hospital's name and find out how well they compare to others nearby or similar hospitals all over the country.
Threats may arise at the state or national level to adopt new legislation that will require hospitals to meet a certain percentage baseline for community benefit.

There are also groups that are advocating at the federal level for increased hospital contributions to community health.

These threats are not expected to go away. There are a number of groups looking at and publicly posting hospital community benefit contributions: unions, public advocacy groups, media, researchers and foundations.
RECOMMENDATIONS

- Ensure compliance with all state and federal regulations.
- Triannual CHNA and Implementation Strategy.
- New FAP rules take effect 2016.
- Annual Schedule H reporting. Ask accounting firm to include community benefit experts in the narrative review to insure correct responses.
- Strategically plan for community benefit.
- Invest in community benefit.
- Implement programs identified in the Implementation Strategy.
- Create a Board level committee to oversee community benefit.
- Support a staff person to implement, monitor and report community benefit.
- Commit to community partnerships.