



Hospital Community Benefits: Opportunities for Healthy Homes

Hospital community benefits are initiative or activities financed by nonprofit hospital organizations, as required by federal tax law, to improve health in the communities they serve. Hospitals have traditionally met this requirement by providing free or low-cost clinical care to low-income patients and offering hospital-centered outreach activities. However, recent healthcare reform is likely to alter the way hospitals do business and presents hospitals with an opportunity to increase their investments in population health and community-centered activities. This brief provides an introduction to hospital community benefits and explores emerging opportunities for healthy homes programs and services.

Why Hospitals?

“The value of tax exemption accruing to the approximately 2,900 nonprofit hospitals in the United States has been variously estimated from \$8.5 billion to \$21 billion, including the value of federal and state taxes avoided, eligibility for tax-deductible donations, and access to lower-cost capital financing from issuance of tax-free bonds.”

Martha H. Somerville

*Community Benefit in Context: Origins
and Evolution – ACA §9007*

The Hilltop Institute

Breakdown of financial benefits for nonprofit hospitals and supporting organizations, 2002

State corporate income tax:
\$0.5 billion

State sales tax: **\$2.8 billion**

State and local property
tax: **\$3.1 billion**

Total state and local:

\$6.4 billion

Federal income tax: **\$2.5 billion**

Use of federally tax-exempt debt
(bond financing): **\$1.8 billion**

Federal deductibility of charitable
contributions: **\$1.8 billion**

Total federal benefits:

\$6.1 billion

\$12.6 billion*

Total federal, state, and local benefits

**Reflects Congressional Budget Office rounding*

What Are Community Benefits?

Nonprofit hospital organizations are required by federal tax law to spend some of their surplus on “community benefits,” which are goods and services that address a community need. They must report this spending to the Internal Revenue Service (IRS) on Form 990-H each year in order to maintain their exemption from paying federal income taxes. The allowable purposes of community benefits have included improving access to care, enhancing community health, advancing medical knowledge, and reducing government burden. To meet the IRS requirement, many hospitals have traditionally provided free or low-cost clinical care to low-income patients and paid for hospital-centered outreach activities. As of 2009, 85 percent of community benefit costs were attributed to indigent patient care.

What’s New?

The Affordable Care Act (ACA) enhanced the IRS requirements for community benefits programs in two important ways: eligible community health improvement services now include “community building,” and the hospital must determine how to spend community benefits funds at least every three years through transparent decision-making actions, beginning with a Community Health Needs Assessment (CHNA). The IRS issued proposed rules in 2012 and 2013, and has announced that hospitals should rely on the proposed rules as a reasonable interpretation of the ACA community benefit requirement that took effect in 2012. The deadline for compliance will vary by hospital, depending upon the hospital’s fiscal year and timing of their three-year community benefit cycle. While the new ACA community benefits rules do not require hospitals to address all community health needs identified through the CHNA, other factors may encourage hospitals to spend a greater portion of their revenue on community health needs. For many hospitals, ACA implementation is changing their overall business model: as more patients gain insurance through ACA initiatives, hospitals may have less demand for free care and may not be able to meet their full community benefit obligation by solely providing uncompensated care. Furthermore, hospitals are now under greater pressure to reduce certain readmissions, and they may be looking for opportunities to implement community-based interventions that work upstream to prevent unnecessary costly hospitalizations. In light of these changes, nonprofit hospitals face a very real incentive to increase their investments in population health and community-centered activities.

EXPANSION OF COMMUNITY BENEFITS AT A GLANCE

Community-Building Activities:

- Physical improvements and housing
- Economic development
- Community support
- Environmental improvements
- Leadership development and training for community members
- Coalition building
- Community health improvement/advocacy
- Workforce development
- Other community building activities or programs

Transparent Decision-Making

- Community Health Needs Assessment (CHNA)
- Implementation plan
- Publicly accessible and accountable planning process

What Kinds of Healthy Homes Activities Can Be Supported?

A review of recent reports by hospitals and others revealed community building activities supporting healthy housing in three areas: homes assessments, affordable housing development, and systems change.

Home Assessments/Services

- Yale-New Haven Hospital’s (Y-NHH) Regional Lead Treatment Center screens homes for hazards.¹
- Y-NHH and St. Francis Hospital Medical Center in Hartford deploy program staff to visit and assess homes for lead and 29 other health hazards.²

- St. John's Health System supports Healthy Families Indiana, a voluntary home visiting program that serves families before and immediately after a child's birth by providing Healthy Families Madison County (funded by the IN Department of Child Services) with postage, utilities, mileage reimbursement, phones, and pagers.³
- Mercy Medical Center in Cedar Rapids, IA runs the Children's Homes Asthma Management Program and provides infectious control practitioners to assess air, particles, moisture, and cultures in the homes of children newly diagnosed with asthma.⁴
- Boston Children's Hospital's Community Asthma Initiative conducts home environmental assessment and provides education, materials, and supplies to reduce triggers, including HEPA vacuums.⁵

Empowering Communities and Systems Change

- The Community Health Initiative (CHI) at Cincinnati Children's Medical Center publicizes data for key health metrics and supports community organizing to address critical children's health issues in the community. For example, CHI mapped the addresses of readmitted asthma patients to substandard housing units owned by the same landlord; then the Legal Aid Society of Greater Cincinnati helped tenants organize and compel repairs.⁶
- St. Joseph Health System in Orange County, CA identified housing as the top priority community issue in its 2008 and 2011 CHNAs and advocates for decent affordable housing.⁷

Housing Development

- St. Vincent Indianapolis Hospital was instrumental in founding, and supports, the Crooked Creek Community Development Corporation in improving housing and providing residents with resources, like information on homeownership.⁸
- St. Mary's Health System, Lewiston, ME supported the construction of new affordable housing in the distressed area surrounding the hospital, the first downtown construction in Lewiston since 1940, by supplying the initial capital of \$250,000 that leveraged another \$2 million.⁹
- Swedish American Hospital, Rockford, IL committed \$4.1 million to redevelop its surrounding at-risk neighborhood into a more stable owner-occupied neighborhood.¹⁰

What Are the Elements of the CHNA Process?

The IRS requires nonprofit, tax-exempt hospitals to conduct a community health needs assessment (CHNA) for each hospital facility at least once every three years and adopt an implementation strategy to meet the community health needs identified through the CHNA. As noted previously, hospitals are not required to meet all identified needs and the deadline for compliance will vary by hospital, depending upon the hospital's fiscal year and timing of their three-year community benefit cycle.

Scope

A hospital facility is defined as a facility that, at any time during the tax year, was required to be licensed, certified, or otherwise recognized under state law. For purposes of the needs assessment, the community is considered the facility's entire service area, its target population and specialty care type if any, as well as non-patient populations and geographic areas outside its service area. The community cannot be defined to exclude medically underserved, low-income, or minority populations within the hospital's service area or target population.

Significant Health Need

The CHNA is intended to identify significant health needs and available facilities and resources to meet the needs, and to prioritize which health needs will be addressed and with what resources. IRS defines the universe of needs as "primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups." The CHNA report must describe the process used for identifying and prioritizing community health needs and services to meet the community health needs.

Implementation Strategy

In addition to the actions the hospital facility intends to take to address the health need, the implementation strategy must describe the anticipated impact of these actions and the plan to evaluate such impact. For example, in response to high rates of financial need or large numbers of uninsured individuals and families, the implementation strategy could describe a programmatic response, such as expanding its financial assistance program or helping uninsured individuals and families learn about and enroll in sources of insurance; state how it anticipates its program will reduce these barriers to care; and identify the data sources it will use to track the program's impact on the barriers. The strategy must also identify the programs and resources the hospital facility plans to commit to address the health need and describe any planned collaboration between the hospital facility and other facilities or organizations in addressing the health need.

Unmet Needs

If all of the needs identified in the CHNA will not be addressed, the implementation strategy must indicate which significant needs will be addressed and why other significant needs will not. The IRS lists allowable reasons including resource constraints, relative lack of expertise or competency to address the need effectively, a relatively low priority assigned to the need, a lack of identified effective interventions to address the need, and/or the fact that the need is being addressed by other facilities or organizations in the community, and notes that this is not an exhaustive list.

Consultation with the Public

In gathering information and making decisions, the hospital must take into account input from the constituency served by the hospital facility. This includes persons who represent the broad interests of the community, those with special knowledge of or expertise in public health, at least one state or local public health department, and medically underserved, low-income, and minority populations. The hospital's report to IRS must describe the methods used to consult with these persons, such as meetings, focus groups, surveys, interviews, and other communication tools, and identify the organizations and agencies consulted. Also, hospitals must factor written comments on the most recent CHNA and implementation plan into the next CHNA and plan.

Collaborative Assessments

The IRS allows plans developed by and for a group of hospitals. If a hospital facility collaborates with other hospital facilities in conducting its CHNA, all of the collaborating hospital facilities may produce a joint CHNA report as long as all of the facilities define their community to be the same and conduct a joint CHNA process. In addition, the joint CHNA report must clearly identify each hospital facility to which it applies and the authorized body of each collaborating hospital facility must adopt the joint CHNA report as its own. Thus, for example, a hospital facility can collaborate with nine other hospital facilities that are all located in and serving a particular geographic area, if all 10 hospital facilities define their community as constituting the entire geographic area. All 10 hospital facilities would conduct a joint CHNA process and prepare a joint CHNA report that identifies all of the collaborating hospital facilities by name.

State Requirements

The federal requirements complement or may supersede community benefit requirements in 28 states. Typically, these requirements involve public reporting in association with charitable giving or hospital licensing regulations or certificates of need. These policies may offer additional opportunities for community building or transparent planning and decision making.

“By truly embracing the opportunity presented by their unique role in our communities, hospitals can improve the health outcomes of the people they serve and strengthen their own bottom lines. We should expect no less.”

John O'Brien, former President and CEO of UMass Memorial Health Care and
Rob Restuccia, Executive Director of Community Catalyst
writing in the May 2014 edition of *Health Affairs*

Public Access to the CHNA and Implementation Plan

The CHNA report must be made widely available to the public by being “conspicuously” posted on a website and available in paper copy for public inspection without charge. Instead of requiring the CHNA report to be posted on the website until the next CHNA report is posted, a CHNA report must remain on the website until two subsequent CHNA reports have been posted, so information on trends is available to the public. The hospital must either post the implementation strategy or attach it to Form 990-H when it files with the IRS.

How Can the Healthy Homes Community Get Involved?

Healthy housing practitioners could add specific value to not-for-profit hospitals in several ways.

Here Are Some Tips:

- **Learn what community benefits the hospital already supports:**

- Read the most recent CHNA, which should be posted on the hospital’s website and may be available from the state agency. Also, see www.astho.org/Programs/Access/Community-Health-Needs-Assessments
- Review the implementation plan. If the plan is not on the hospital’s website, obtain the Hospital’s 990-H Form to view the implementation plan and see what the hospital told IRS about its process. If the 990-H Form is not on the hospital’s website, check www.guidestar.org or a state agency listed above.

- **Reach out to the hospital’s community benefit manager** (or ask who in the organization leads their community-based health benefits initiatives). Learn what community benefits the hospital is considering or already supports. Introduce your program and articulate how your program addresses their CHNA. Care management efforts using promotoras or community health workers hold a lot of promise for hospitals.

- **Review the hospital’s most recent CHNA and consider the following questions:** What process did the hospital use to collect information for the CHNA? Does your organization have data that could help inform future CHNAs? What were the top priorities identified in the plan? What services do you have to offer that could help respond to those priorities?

- **Identify services and activities that can reduce hospital readmissions**, which is a federal policy priority and therefore important to hospitals. Find out what’s driving repeat hospitalizations and emergency department visits. You can also alert community benefit managers to evidence linking housing-related illness, like asthma, to readmissions.

- **Get involved with local needs assessment and implementation planning efforts.** Frame discussions around identified community needs and how a specific healthy housing program could address those needs. Link with other organizations that are taking part in these assessment and planning activities. Comment on the most recent CHNA and implementation plan.

- **Look at the community needs index** – a set of nationwide standards that help with identifying and targeting the most vulnerable populations within a particular area (www.dignityhealth.org/Who_We_Are/Community_Health/STGSS044508)

Other Tools and National Efforts to Watch:

Resources for Implementing the Community Health Needs Assessment Process

www.cdc.gov/policy/chna

American Hospital Association, Community Connections

www.ahacommunityconnections.org

The Hilltop Institute – White Paper on Community Building/Public Health

www.hilltopinstitute.org/hcbp.cfm

“Collective Impact” Model

www.collectiveimpactforum.org/what-collective-impact

CHNA Toolkit

www.chna.org

Catholic Health Association

www.chausa.org/communitybenefit

Health Care without Harm

<https://noharm-uscanada.org/content/us-canada/environmental-health-community-benefit>

Health Systems Learning Group – White House Office of Faith Based and Community Partnerships

www.methodisthealth.org/files/faith-and-health/HSLGembargoedmonographApril42013.pdf

www.methodisthealth.org/about-us/faith-and-health/research/learning-collaborative

Sources:

¹ www.ynhh.org/community-health/community-health-services.aspx

² See page 17 of: www.chausa.org/docs/default-source/environment/healing-communities-and-the-environment.pdf

³ www.stvincent.org/uploadedFiles/SV_Health/How_Were_Different/In_Your_Community/Community-Benefits-Report-2012.pdf

⁴ www.mercycare.org/app/files/public/5333/Implementation-Plan.pdf

⁵ http://healthyamericans.org/health-issues/prevention_story/boston-childrens-hospitals-approach-to-community-health-using-programs-to-achieve-systemic-change

⁶ www.hilltopinstitute.org/publications/HospitalCommunityBenefitsAfterTheACA-ScheduleHIssueBrief5-October2012.pdf

⁷ www.stjhs.org/SJH-Programs/SJH-Community-Partnership-Fund/Community-Investment-Fund.aspx

⁸ www.ahacommunityconnections.org/case-studies/index.dhtml?dcrpath=COMMUNITYCONNECTIONS/cc_case_study/data/output/2014/stvincenthlh and <http://crookedcreekcdc.org/wp-content/uploads/2011/04/QualityOfLifePlan21.pdf>

⁹ <http://community-wealth.org/content/hospitals-building-healthier-communities-embracing-anchor-mission>

¹⁰ <http://community-wealth.org/content/hospitals-building-healthier-communities-embracing-anchor-mission>



Brief #2 Healthcare Financing for Healthy Homes

For additional resources, including many of the sources cited in this document, visit:

www.nchh.org/resources/healthcarefinancing

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