



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# Community Health Needs Assessment: Federal Requirements & State Landscapes

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National Health Policy Forum

June 28, 2013

# Overview

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- Background: Tax exemption
- Federal requirements and guidance: CHNAs, implementation strategies
- State requirements (CHAs & CHIPs)
- Potential roles for hospitals and community benefit in health system transformation

# NP Hospital Tax Exemption: \$12.6 Billion

PRESENT LAW AND BACKGROUND  
RELATING TO THE TAX-EXEMPT STATUS  
OF CHARITABLE HOSPITALS

Scheduled for a Hearing  
Before the  
SENATE COMMITTEE ON FINANCE  
on September 13, 2006

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



September 12, 2006  
JCX-40-06

## 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 Federal Tax Exemption

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- Federal: **\$6.1 Billion**
- Of the \$12.6 Billion value estimated by the Joint Committee on Taxation staff, less than half can be attributed *directly* to the federal tax exemption

# Value of State Tax Exemptions

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- State & local: **\$6.4 Billion**
  - All states exempt the property of NP hospitals from taxation, at least under prescribed circumstances (e.g., NP hospital property used “exclusively for charitable purposes”)
  - Other tax exemptions available to NP hospitals at the state level are conditioned on the entity’s charitable activities
  - Only about 6 states *expressly* condition tax exemption on community benefit compliance; other states look at community benefits as a form of charitable activity.
  - More than half of the states condition tax exemption on a hospital’s 501(c)(3) status

# Federal CHNA: Legal Requirements & Agency Guidance

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- ACA §9007 (I.R.C. §501(r))
- IRS Notice 2011-52
- IRS/Treasury Notice of Proposed Rulemaking (April 2013)

# The federal requirement: 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.”**

# Informal Guidance: IRS/Treasury Notice 2011-52

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Part III - Administrative, Procedural, and Miscellaneous

Notice and Request for Comments Regarding the Community Health Needs

Assessment Requirements for Tax-exempt Hospitals

Notice 2011-52

## **SECTION 1. PURPOSE**

This notice addresses the community health needs assessment (“CHNA”) requirements described in section 501(r)(3) of the Internal Revenue Code (“Code”) and related excise tax and reporting obligations, applicable to hospital organizations that are (or seek to be) recognized as described in section 501(c)(3) of the Code. The CHNA requirements are among several new . . .

<http://www.irs.gov/pub/irs-drop/n-11-52.pdf>



# Formal Guidance

## IRS & Treasury NPRM April 5, 2013



**FEDERAL REGISTER**

The Daily Journal of the United States Government

04/05/2013 Issue



Federal Register / Vol. 78, No. 66 / Friday, April 5, 2013 / Proposed Rules

20523

### DEPARTMENT OF THE TREASURY

#### Internal Revenue Service

#### 26 CFR Parts 1 and 53

[REG-106499-12]

RIN 1545-BL30

#### Community Health Needs Assessments for Charitable Hospitals

**AGENCY:** Internal Revenue Service (IRS),  
Treasury.

Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503, with copies to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, SE:W:CAR:MP:T:T:SP, Washington, DC 20224. Comments on the collection of information should be received by June 4, 2013. Comments are specifically requested concerning:

Whether the proposed collection of information is necessary for the proper performance of the functions of the

amendments to § 1.6033-2 will be reflected in the burden on Form 990, "Return of Organization Exempt from Tax," after it is revised to require the additional information in the regulation.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be

# IRS & Treasury NPRM/Proposed Rule

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- Similar, clarifies, adds a few new elements to Notice 2011-52 guidance
- Themes:
  - Community engagement
  - Health Equity
  - Transparency
  - Accountability of all hospital facilities

# IRS & Treasury

## NPRM/Proposed Rule continued

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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 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 using 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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- Clarifies ACA's public input requirements:
  - Persons who represent the broad interests of the community,
  - Including those with special knowledge of or expertise in public health
- NPRM: 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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- NPRM: 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



- Adopted by “authorized body of the hospital facility”
- Includes hospital’s community definition, describes:
  - 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

# Multi-hospital CHNAs





Multiple hospitals may conduct a collaborative CHNA, prepare a joint CHNA report if:

- Each hospital facility adopts the same community definition, participates in joint CHNA process
- Joint report:
  - Clearly identifies each participating hospital facility
  - Is adopted by an authorized body of each collaborating hospital facility

# Implementation Strategy (Hospital's Community Benefit Plan)

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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 implementation strategy to 990:H
-  (IRS will delay implementation of attachment requirement rule is **final**)

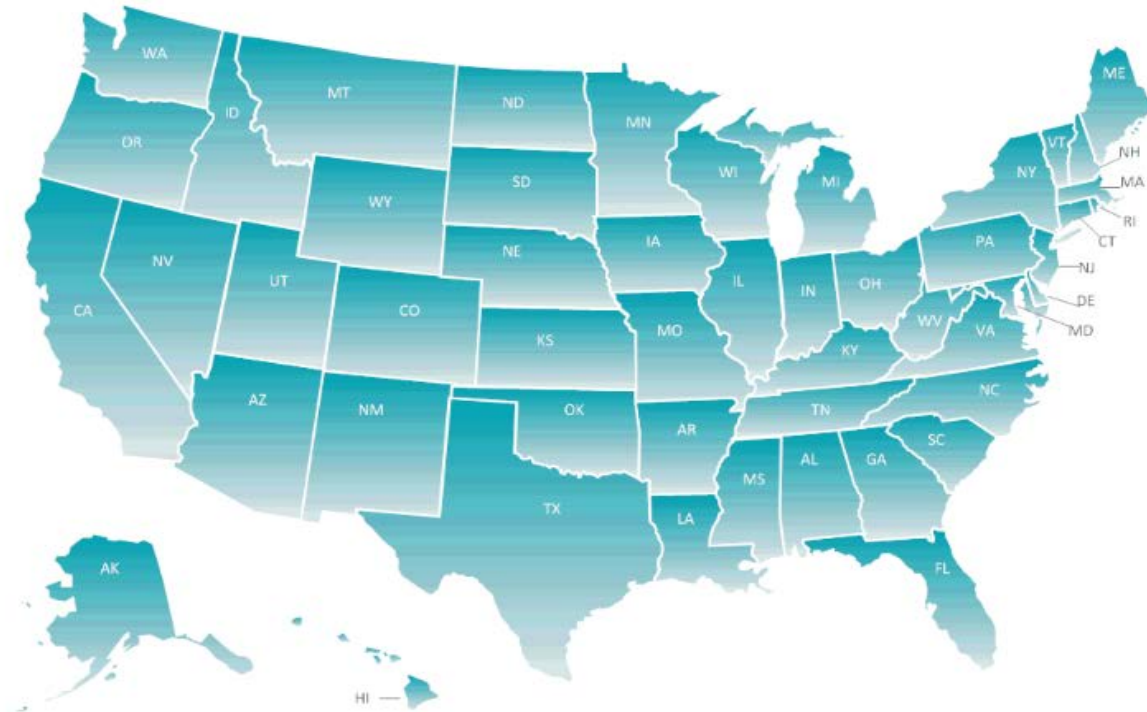
# Collaborative Implementation Strategies

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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 other tool to aid understanding

# State Community Benefit Requirements



## Community Benefit State Law Profiles

[http://www.hilltopinstitute.org/hcbp\\_cbl.cfm](http://www.hilltopinstitute.org/hcbp_cbl.cfm)



### Community Benefit State Law Profiles Comparison

#### *State Community Benefit Requirements and Tax Exemptions for Nonprofit Hospitals*

Compare	State	Community Benefit Requirement	Mandatory Minimum Community Benefit Requirement	Community Benefit Reporting Requirement	Community Health Needs Assessment	Community Benefits Plan/ Implementation Strategy	Financial Assistance Policy	Financial Assistance Policy Dissemination	Limitations on Charges, Billing, and Collections	Income Tax Exemption	Property Tax Exemption	Sales Tax Exemption
	Select:	● ○	■	■	■	■	■	■	■	■ X		■ X
<input type="checkbox"/>	California	●		■	■	■	■	■	■	■	■	X
<input type="checkbox"/>	Illinois	○	■	■	■	■	■	■	■	■	■	■
<input type="checkbox"/>	Indiana	●		■	■	■	■	■		■	■	■
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# State-level CHA & CHIP Requirements

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- 11 states have their own community health assessment (CHA) requirements for NP hospitals (CA, **ID**, IL, IN, MD, NH, NY, RI, TX, VT, WA)
- 10 of these have a related community health improvement planning (CHIP) requirement



## Federal/State Requirement Mismatch: 2 Categories—Different Practical Effect

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- State CHA/CHIP standard is the same or less rigorous than federal requirements  
***NH:** CHA every 5 years*
- More significant: State CHA/CHIP standards include elements **not** federally required  
***MD:** As part of CHA process, consider most recent CHAs developed by the state or local health department*

# Rhode Island

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- In Rhode Island, CHAs must include:
  - “Needs related to the goals articulated in *A Healthier Rhode Island by 2010: A Plan for Action*” (Rhode Island’s *Healthy People* initiative)
  - A statement of priorities consistent with the hospital’s resources.

# Indiana, Texas

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- Indiana and Texas: CHIP must include
  - Measurable objectives with a specified time frame
  - An implementation budget

# Vermont

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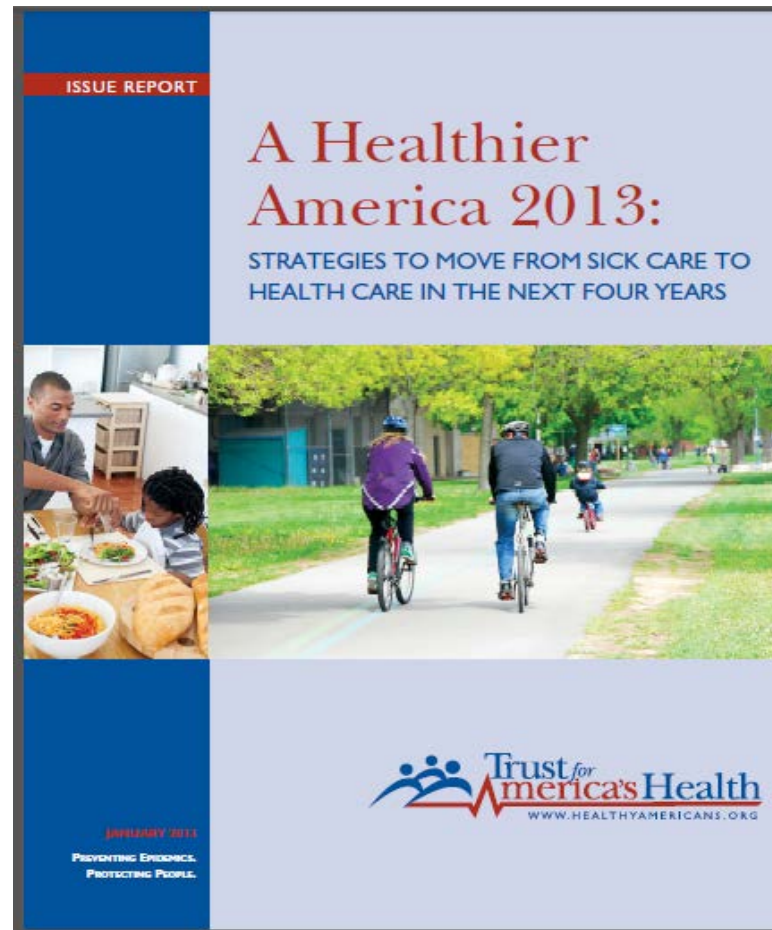
- Vermont CHIPs must include
  - List of strategic initiatives “discussed with or derived from the identification of health care needs ...”
  - Short- and long-term capital expenditure plans and facility depreciation schedules
  - A summary of identified community needs “integrated with the hospital’s long-term planning

# Implications of State Differences

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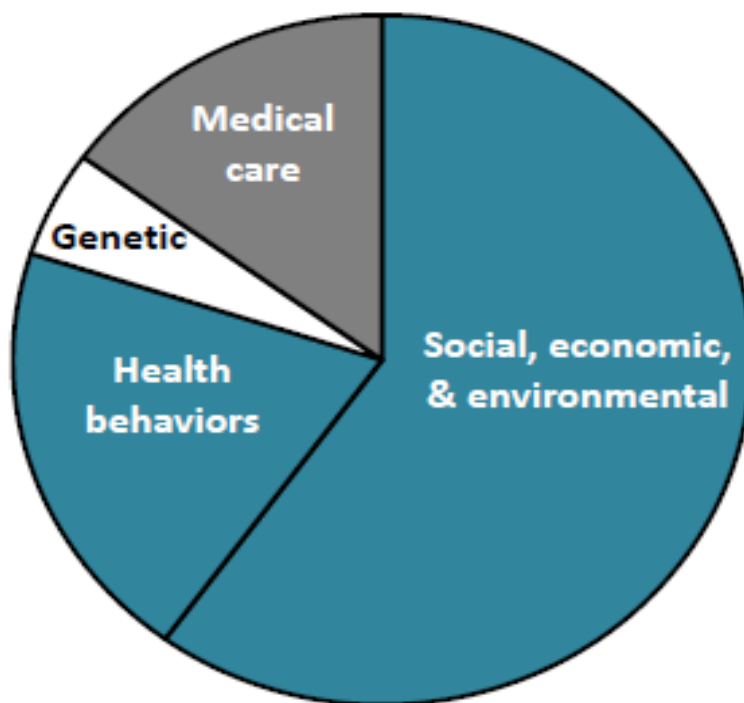
- For multi-state hospital systems: complexity
- For communities, health departments, etc: additional levers for encouraging nonprofit hospital engagement in and contributions to assessment, planning, and initiatives for community health improvement

# Community Benefit's Role in Moving from Sick Care to Health Care



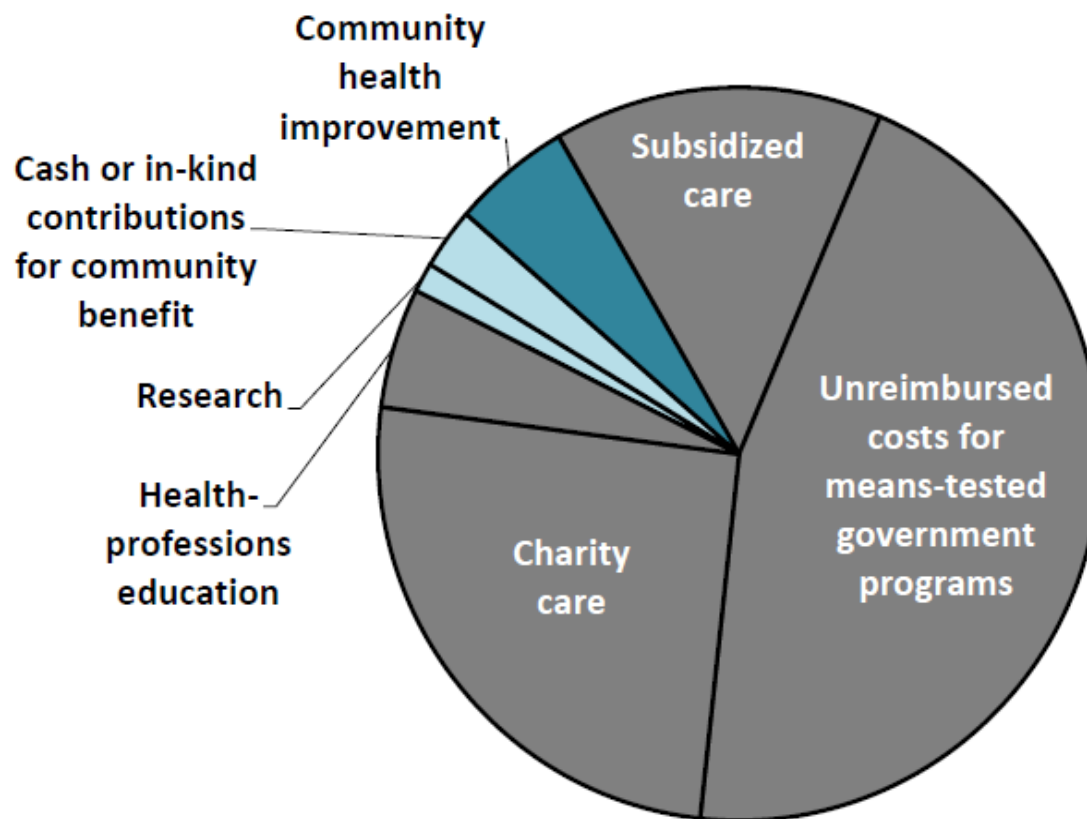
# Determinants of Population Health – Relative Responsibility for Health Outcomes

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

# NP Hospital Community Benefit Resources Allocation for Tax Year 2009

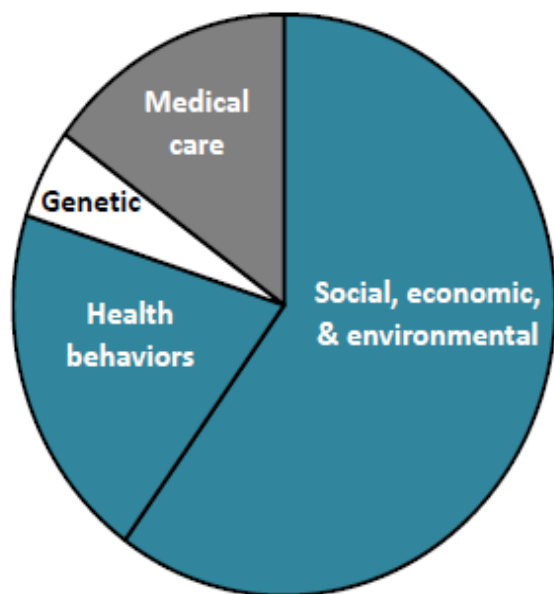


Based on Young, G., et al. (2013). Provision of community benefit by tax-exempt U.S. hospitals. *M Engl J Med*, 368, 16.

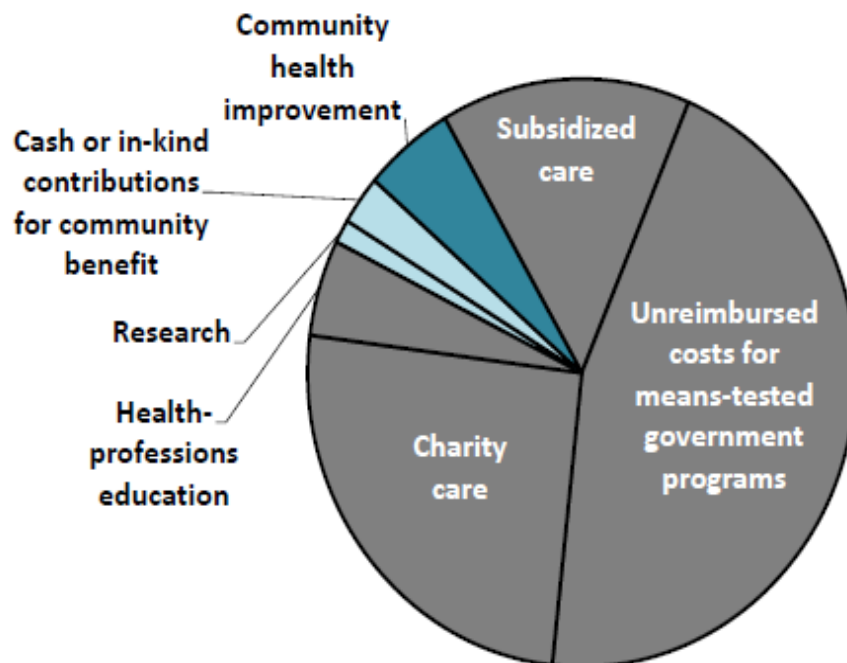


# Refocus Community Benefit Resources?

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.

# Community Benefits' Role in Health System Transformation

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- NP hospital engagement with their communities to improve community health
- Community benefit transparency  
Information → Knowledge → Power
- Redirection of charity care resources to address 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>

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# Contact Information

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