Non-Profit Hospital Community Benefit

Presentation to the Colorado Commission on Affordable Health Care

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What is Community Benefit?

- Non-profit hospitals qualify for tax-exempt status by providing a benefit to their communities.
- In 2008, the IRS began requiring hospitals to provide a more systematic assessment of their community benefit.
Community Benefit: IRS Form 990, Schedule H

### Part I

**Financial Assistance and Certain Other Community Benefits at Cost**

<table>
<thead>
<tr>
<th>Financial Assistance and Means-Tested Government Programs</th>
<th>(a) Number of activities or programs (optional)</th>
<th>(b) Persons served (optional)</th>
<th>(c) Total community benefit expense</th>
<th>(d) Direct offsetting revenue</th>
<th>(e) Net community benefit expense</th>
<th>(f) Percent of total expense</th>
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<tbody>
<tr>
<td>a Financial Assistance at cost (from Worksheet 1)</td>
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<td>b Medicaid (from Worksheet 3, column a)</td>
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**Other Benefits**

<table>
<thead>
<tr>
<th>Other Benefits</th>
<th>(a) Number of activities or programs (optional)</th>
<th>(b) Persons served (optional)</th>
<th>(c) Total community benefit expense</th>
<th>(d) Direct offsetting revenue</th>
<th>(e) Net community benefit expense</th>
<th>(f) Percent of total expense</th>
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<tr>
<td>e Community health improvement services and community benefit operations (from Worksheet 4)</td>
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<td>g Subsidized health services (from Worksheet 6)</td>
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<td>h Research (from Worksheet 7)</td>
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<td>i Cash and in-kind contributions for community benefit (from Worksheet 8)</td>
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<td>j Total, Other Benefits</td>
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### Part II

**Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

<table>
<thead>
<tr>
<th>(a) Number of activities or programs (optional)</th>
<th>(b) Persons served (optional)</th>
<th>(c) Total community building expense</th>
<th>(d) Direct offsetting revenue</th>
<th>(e) Net community building expense</th>
<th>(f) Percent of total expense</th>
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<tbody>
<tr>
<td>1 Physical improvements and housing</td>
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<td>2 Economic development</td>
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<td>3 Community support</td>
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<td>4 Environmental improvements</td>
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<td>5 Leadership development and training for community members</td>
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<td>6 Coalition building</td>
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<td>7 Community health improvement advocacy</td>
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<td>8 Workforce development</td>
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<td>9 Other</td>
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<td>10 Total</td>
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</table>
Categories of Community Benefit:

Direct Patient Care

- **Financial assistance**
  - Charity care
  - Does not include bad debt

- **Medicaid**
  - Underpayment for Medicaid, CHP, indigent care
  - Does not include underpayment for Medicare

- **Subsidized health services**
  - Services that operate at a loss and would otherwise become the responsibility of the government
  - Includes clinical programs that serve an identifiable need (Community Health Needs Assessment - CHNA)
Categories of Community Benefit:

Broader Community Services

- Community health improvement services
  - Screenings and occasional clinics for uninsured and underinsured
  - Services related to an identified community need (Community Health Needs Assessment – CHNA)

- Health professions education
  - Net cost of training (e.g., medical residency)

- Research

- Cash and in-kind contributions
Categories of Community Benefit:

**Community Building Activities**

- Activities related to social determinants of health
  - 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
What Does Community Benefit Have to Do With Health Care Costs?

- Uncompensated care
- Some community benefit spending may address social determinants of health
How Much do Hospitals Spend on Community Benefit?
Approximately $60 billion, or 8.5 percent of operating expenses (2012)

Source: Leider (2016).
Spending on Community Benefit Varies Substantially Across Hospitals

Source: Young (2013).
Spending on Community Benefit in Colorado

- **$320 million** in uncompensated care
- **$300 million** in voluntary community benefits (health screenings, education, clinics)
- **$108 million** in charitable donations

Source: 2015 data from the Colorado Hospital Association; analysis of uncompensated care in Colorado
What Do States Require for Community Benefit?
## State-Level Requirements

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Number of States</th>
<th>Colorado</th>
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</thead>
<tbody>
<tr>
<td>Community benefit reporting requirement</td>
<td>31</td>
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<tr>
<td>Financial assistance policy dissemination</td>
<td>25</td>
<td>X</td>
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<tr>
<td>Community benefit requirement</td>
<td>25</td>
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<tr>
<td>Limitations on charges, billing and collections</td>
<td>24</td>
<td>X</td>
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<tr>
<td>Financial assistance policy</td>
<td>20</td>
<td>X</td>
</tr>
<tr>
<td>Community health needs assessment</td>
<td>11</td>
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<tr>
<td>Community benefits plan/implementation strategy</td>
<td>10</td>
<td></td>
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<tr>
<td>Minimum community benefit requirement</td>
<td>5 (IL, NV, PA, TX, UT)</td>
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</tbody>
</table>

Source: Hilltop Institute
Required Reporting

Source: Hilltop Institute
Minimum Spending Requirements

Source: Hilltop Institute
Examples of Minimum Spending Requirements

• Community benefit spending must be at least as large as the foregone property tax liability. (Utah)

• Charity care spending must be at least five percent of net patient revenue. (Texas)
Factors Associated with Community Benefit Spending

• Spending (as a percent of operating costs) was higher in states with broad reporting requirements.

• No association with most other factors:
  • Hospital profit margin
  • Community need (uninsured population and per capita income)

• Note: little analysis of recent data

Source: Young (2013)
Selected Studies

- Internal Revenue Service. Form 990: Return of organization exempt from income taxes. 2016.