How States Can Leverage Hospital Community Benefit Policies to Advance Health Equity

March 16, 2021
COVID-19 has highlighted long-standing health inequities across the United States. COVID-19 has a disproportionate impact on communities of color.

- At the same time, states face revenue challenges leading to budget shortfalls and cuts.
- Hospitals are a vital part of the frontline response to COVID-19 and they have also received significant federal relief funding.
- In exchange for the tax exemptions they receive, hospitals can play an important role in COVID-19 recovery by making meaningful investments in their communities.

Image source: Olivia Foster Rhoades, Harvard University
Investing in social determinants of health can reduce health disparities and advance equity

- Interventions that address community needs such as housing, income and nutrition support, care coordination, and community outreach can improve health outcomes and reduce health care spending.

- Addressing social needs is also shown to reduce racial disparities.

- Hospitals play an important role in communities as anchor institutions and have an obligation to address these issues.
How do hospitals learn what communities need?

- The Affordable Care Act requires nonprofit hospitals to conduct community health needs assessments (CHNAs) every three years.

- A CHNA’s goal is to identify the most critical health priorities with the help of community members.

- Each hospital must complete a CHNA and develop an implementation strategy to address identified community needs in order to maintain its nonprofit status.
Do hospital community benefit dollars address identified needs?

• A 2017 study found that in hospital CHNAs:
  • 65% cited health disparities/health equity explicitly;
  • 100% referenced health equity implicitly; and
  • 75% reported external stakeholders identified a need for health equity.

• Yet, 45% of nonprofit hospitals prioritized health equity in their CHNAs and 9% included strategies to address health disparities in their implementation plans.

• Because there is no required connection between their implementation plan and community benefit expenditures, it is impossible to tell if hospitals are addressing the identified disparities.
Does hospital community benefit spending address social determinants of health?

- Spending categories are not well defined in current IRS reporting requirements.
- The vast majority of community benefit spending is on medical services, not social determinants of health.
- In FY 2016, only 3% of community benefit spending went to community health improvement.
Current oversight and spending are insufficient for improving community health and advancing equity

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<th>No minimum spending level required from hospitals</th>
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<td>• Nonprofit hospitals received over $24 billion in tax exemptions in 2011.</td>
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<td>• In exchange, hospitals must provide community benefit investments.</td>
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<td>• There is no federal minimum level of community benefit spending required.</td>
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<th>Hospital spending not tied to community needs</th>
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<td>• Compared to overall community benefit spending, spending on social determinants of health remains low.</td>
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<td>• Community health needs assessments identify health equity priorities, but there is no oversight for spending on those needs.</td>
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<th>Health disparities persist</th>
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<td>• The disparate impact of COVID-19 has illustrated that prior efforts to address inequities were insufficient.</td>
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<td>• Spending on community building, those activities that protect or improve a community’s health or safety, accounted for a median of 0.04% of total operating expenses by US hospitals in FY 16.</td>
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<td>• A report found that in one state the hospital community benefit program had no impact on community health.</td>
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**States can lead the way to ensure meaningful community benefit spending**

| Minimum community benefit investment | In exchange for their tax exemptions, nonprofit hospitals must provide community benefit investments.  
| States can require minimum spending on community benefit. |
| Spacing tied to community need | States can:  
| • Tie hospital community benefit spending to needs identified by the CHNA;  
| • Require community service investments from hospitals; and  
| • Require hospitals to link spending to community health improvement activities for maximum impact. |
| Spending is impactful and advances equity | States can evaluate the impact of community benefit programs.  
| States can use community benefit policies to address social determinants of health and advance equity. |
States can address health inequities through community benefit policies

• Since 2017, NASHP has convened state officials to address community benefit practices, programs, and policies.

• States have a variety of levers to address transparency, reporting, and impact of community benefit spending.

• Analysis of IRS Form 990s found there is an increase in community benefit spending in states with minimum spending requirements.
States can require minimum spending on community benefit

• **Utah** and **Illinois** require nonprofit hospitals to spend the amount of their property tax on community benefit in order to qualify for the exemption.

• In 2019, **Oregon** created a minimum community benefit spending floor for nonprofit hospitals.

  • The Oregon Health Authority set its **first spending floor** in January 2021. Legacy Health will be required to spend $253 million in FY 2022 based on its "previous levels of unreimbursed care; its direct spending on the social determinants of health, health equity, and other community benefits; and its operating margin."
States can include community benefit requirements in their regulation of hospitals

- Massachusetts’ [Community-Based Health Initiative](#) requires hospitals applying for a determination of need to connect their spending to [identified health priorities](#).

- Connecticut used a certificate of need tied to a [hospital merger](#) to implement community benefit reforms including:
  - Increasing the total dollars spent on community benefits by at least 1% every year for five years;
  - Ensuring spending and activities directly address the health needs identified by the hospital’s CHNA; and
  - Submitting documentation to the state that describes each community-building activity and amount spent.
State audits can be used to determine the impact of community benefit spending

- In September 2020, the Montana Legislative Audit Division released a report examining community benefit and charity care obligations at Montana nonprofit hospitals.

- The report concluded:
  - “Community benefit spending has no real impact on the health of Montanans;”
  - The legislature should enact laws to address community benefit reporting and spending.
States can require hospitals to link spending to community health improvement activities

- Nonprofit hospitals in Maryland are required to submit an annual report to the Maryland Health Services Cost Review Commission.
  - The report must include hospital community benefit initiatives, the cost of each initiative, and a description of hospital efforts to track and reduce health disparities.
- New York requires hospital Community Health Improvement Plans to address goals in the 2019-2024 Prevention Agenda. Hospitals are also required to report their spending in relation to prevention agenda goals.
States can require hospitals to invest in communities through community service contributions

- In Feb 2021, New Jersey Gov. Phil Murphy signed legislation that requires nonprofit hospitals to pay a $3 daily per-bed community service contribution to their local governments.

- Hospitals contributing more than 12% of their operating budget to community benefit spending will be exempt from the contribution. Currently 10 out of 56 nonprofit hospitals* spend more than 12% on community benefit activities.

- The purpose of the contribution is to support local governments in providing services that taxes on these hospitals might otherwise support.
Hospital community benefit spending is an important tool for states in their health and economic recovery from COVID-19.

- NASHP Blog: [Oregon and Connecticut Hold Hospitals Accountable for Meaningful Community Benefit Investment](#)
- NASHP Tool: [Hospital Community Benefit Spending on Health Equity](#)
- NASHP Chart: [How 10 States Connect their Health Improvement Goals to Hospital Community Benefits](#)
- NASHP Community Benefit Resource Center

To learn more or join NASHP’s work on community benefit, contact Elinor Higgins ehiggins@nashp.org