



The Hilltop Institute

analysis to advance the health of vulnerable populations

Leveraging Hospital Community Benefit Requirements

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“Cost” of Federal Tax Exemption

Federal income tax	\$2.5 billion
Tax-exempt debt (bond financing)	\$1.8 billion
Deductibility of charitable contributions	<u>\$1.8 billion</u>
Total federal benefits	\$6.1 billion

Source: Congressional Budget Office, 2006 (based on 2002 data, the most recent data available)

“Cost” of State Tax Exemption

State corporate income tax	\$0.5 billion
State sales tax	\$2.8 billion
State & local property tax	<u>\$3.1 billion</u>
Total state & local benefits	\$6.4 billion

Source: Congressional Budget Office, 2006 (based on 2002 data, the most recent data available)

What Are Hospital Community Benefits?

- Hospital Community Benefits are *initiatives*, *activities*, and *investments* undertaken by tax-exempt hospitals to improve health in the communities they serve.
- They are a condition of tax exemption.

Example: Maryland Has Leveraged Hospital Community Benefit Requirements

“Each nonprofit hospital ... community benefit report ...

(2) ... shall include: ...

(vi) A description of gaps in the availability of specialist providers to serve the uninsured in the hospital; and

(vii) A description of the hospital’s efforts to track and reduce health disparities in the community that the hospital serves ...”

Md. Code. Ann. Health-Gen., §19-303(c)



Tax Exemption for Charitable Institutions

- IRS first articulated federal community benefit requirements in 1969.
IRS Rev. Rul. 69-545
- The public policy rationale behind it has been traced back to the 17th century.

Form 990, Schedule H

- Charity care
- Medicaid shortfall
- Community health improvement services
- Health professions education
- Research
- Cash and in-kind contributions for community benefit

State Community Benefit Laws

- States are *not* required to defer to federal tax exemption standards
- State laws can be more or less restrictive

State Profile Comparison

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
	Select:	● ○	■	■	■	■	■	■	■
<input type="checkbox"/>	Alabama							■	
<input type="checkbox"/>	Alaska								
<input type="checkbox"/>	Arizona								
<input type="checkbox"/>	Arkansas								
<input type="checkbox"/>	California	●		■	■	■	■	■	■
<input type="checkbox"/>	Colorado						■	■	■
<input type="checkbox"/>	Connecticut			■					■
<input type="checkbox"/>	Delaware	○							
<input type="checkbox"/>	Florida	●							
<input type="checkbox"/>	Georgia			■					

Policy Options Directed toward Addressing Clinical Factors

States can leverage hospital community benefit requirements to advance state health policies with respect to:

- Patient care
 - Increasing access to health care
 - Preventative services to prevent and control chronic conditions such as high blood pressure and diabetes



Policy Options Directed toward Addressing Clinical Factors

continued

- Behavioral Health
 - Mental health
 - Substance abuse
- Health Behaviors
 - Tobacco cessation
 - Active living
 - Healthy food choices

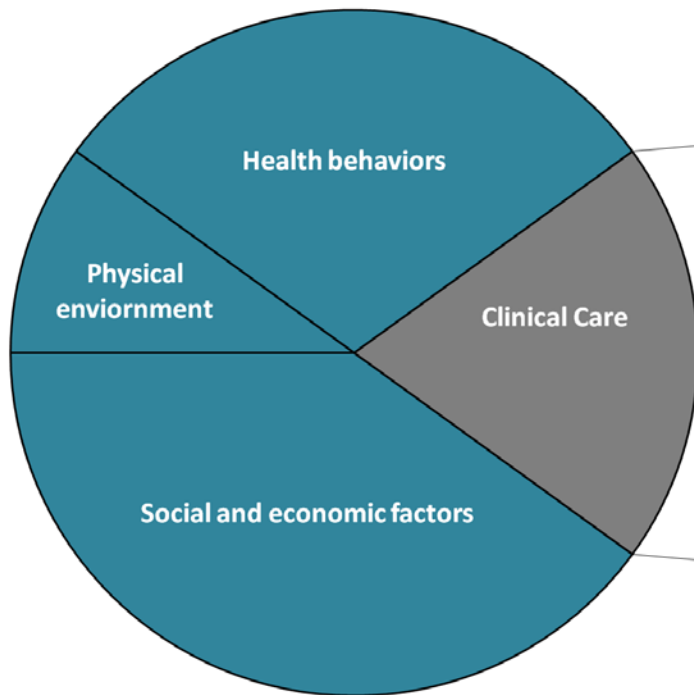


Policy Options Directed toward Addressing Social and Economic Health Determinants

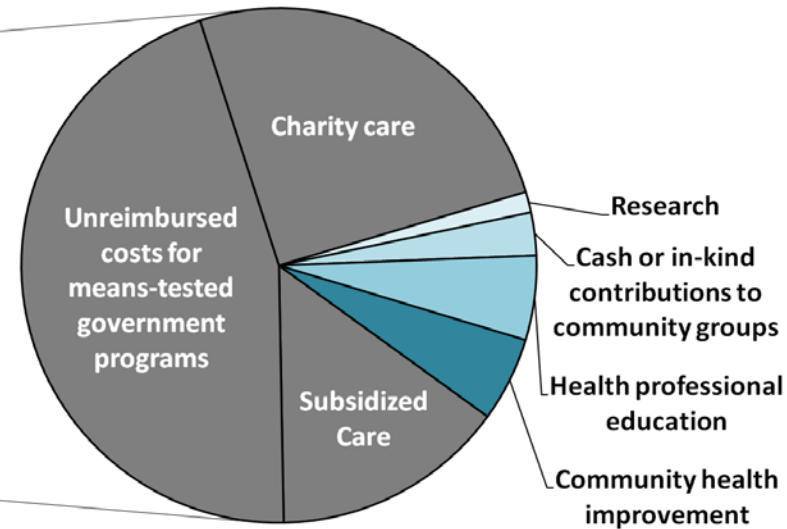
- Income
- Education
- Employment
- Community safety
- Healthy foods
- Physical environment
- Access to recreational facilities
- Socioeconomic conditions
- Housing
- Transportation options
- Race & ethnicity
- Language
- Literacy
- Culture
- Social cohesion & supports

Health Determinants Compared to Hospital-Reported Community Benefit Expenditures

Health Determinants*



Hospital-Reported Community Benefits Costs (2009)**



*Based on University of Wisconsin Public Health Institute, County Health Rankings and Roadmaps Ranking Methods (2013). Retrieved from <http://www.countyhealthrankings.org/ranking-methods>

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

Complex Societal Problems

Negative health determinants such as poverty, substandard housing, and food insecurity may be problems that are too extensive for nonprofit hospitals and/or state health agencies to tackle on their own.



Cross-Sector Partnerships

These complex problems, might, however, be addressed through inclusive, cross-sector partnerships between government (notably state health agencies), nonprofit hospitals, and individuals and organizations representing non-health sectors in the community.



How to Get Started

- Confirm whether there is a state interest in leveraging community benefit requirements.
- Convene stakeholders and potential partners to explore opportunities to harmonize state health goals with community benefit processes.
- Consider the experiences of other states, and lessons learned.

About Hilltop's Hospital Community Benefit Program

Hilltop's Hospital Community Benefit Program is a central resource for state and local policymakers who seek to ensure that tax-exempt hospital community benefit activities are responsive to pressing community health needs. The program provides tools to these and other stakeholders in support of their efforts to improve population health and to promote a more accessible, coordinated, and equitable community health system.

<http://www.hilltopinstitute.org/hcbp.cfm>



About The Hilltop Institute

The Hilltop Institute at UMBC is a non-partisan health research organization—with an expertise in Medicaid and in improving publicly financed health care systems—dedicated to advancing 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. Hilltop is committed to addressing complex issues through informed, objective, and innovative research and analysis.

www.hilltopinstitute.org



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