

# CALIFORNIA

## Community Benefit Requirement

California requires nonprofit hospitals to provide community benefits.

California law expressly recognizes that nonprofit hospitals receive “favorable tax treatment by the government... [i]n exchange [for assuming] a social obligation to provide community benefits ...” [Cal. Health & Safety Code §127340\(a\)](#). California defines “community benefit” as hospital activity “intended to address community needs and priorities primarily through disease prevention and improvement of health status.” The statute lists, as non-exclusive examples of community benefit, the unreimbursed costs of providing health care services to vulnerable populations (including both Medicaid and Medicare shortfall); medical research; health professions education; adult day care; child care; sponsoring food, shelter, and clothing for the homeless; support of public health programs; contributions to a community priority; health care cost containment; enhancing access to care; and education, transportation, and other goods or services that help maintain a person’s health. [Cal. Health & Safety Code §127345\(c\)](#).

In addition, California’s certificate of need (CON) law exempts from certain specified CON requirements a health care project proposed by a hospital that agrees to provide free health care services to indigents, over a five year period, equivalent in dollar value to that of the proposed health care project. [Cal. Health & Safety Code §127190](#).

## Minimum Community Benefit Requirement

California does not require nonprofit hospitals to provide a specified minimum level of community benefits.

## Community Benefit Reporting Requirement

California requires nonprofit hospitals to annually submit community benefit plans specifying the economic value of the community benefits to be provided.

Nonprofit hospitals must annually submit their community benefit plans which, “to the extent practicable,” report the economic value of the community benefits provided, mechanisms for evaluating the plan’s effectiveness, and measurable objectives to be achieved within specified timeframes. The plans must be submitted to the Office of Statewide Health Planning and Development (OSHPD), which makes them available to the public. [Cal. Health & Safety Code §127350\(d\)](#).

In addition, every two years—or when a significant change to the policy is made—a nonprofit hospital must provide copies to OSHPD of its discount payment policy, charity care policy, procedures for determining eligibility under those policies, review process, and the application for charity care or discounted payment programs. [Cal. Health & Safety Code §127435](#).



## Community Health Needs Assessment

California requires nonprofit hospitals to conduct assessments to evaluate the health needs of the communities they serve.

A hospital may conduct—either alone, with other health care providers, or through other organizational arrangements—an assessment that evaluates the health needs of the community the hospital serves. At a minimum, the assessment must describe the process employed by the hospital to consult with community groups and local government officials in identifying and prioritizing community needs that can be addressed directly by the hospital, and those that the hospital can address in collaboration with other entities, or through other organizational arrangements. The assessment must be updated at least every three years. [Cal. Health & Safety Code §127350\(b\)](#).

## Community Benefit Plan/Implementation Strategy

California requires nonprofit hospitals to submit annual community benefit plans that include the activities undertaken by the hospital to address community needs that are within the hospital's mission and financial capacity. [Cal. Health & Safety Code 127350\(d\)](#).

The plan must also include a statement as to the economic value of the community benefits provided, mechanisms for evaluating the plan's effectiveness, and measurable objectives to be achieved within specific timeframes. Community benefits are to be categorized into the following framework: 1) medical care services, 2) other benefits for vulnerable populations, 3) other benefits for the broader community, 4) health research, education, and training programs, and 5) nonquantifiable benefits. [Cal. Health & Safety Code §127355](#).

## Financial Assistance Policy

California requires all hospitals to adopt financial assistance policies.

California's [Hospital Fair Pricing Policies Act](#) establishes, as a condition of licensure, minimum standards to be used in determining eligibility for free or discounted care under a hospital's charity care and discounted care policies. [Cal. Health & Safety Code §§127400 – 127466](#). Hospitals must have written policies pertaining to discounted payments and charity care for "financially qualified patients." At a minimum, hospital policies must deem a person "financially qualified" for free or reduced cost care if he or she is 1) a self-pay patient or a patient with high medical costs or 2) a patient with a family income that does not exceed 350 percent of the federal poverty level. [Cal. Health & Safety Code §127400\(a\)-\(g\)](#). Hospitals have discretion to extend eligibility for their discount payment and charity care policies to patients with incomes over 350 percent of the federal poverty level. [Cal. Health & Safety Code §127405\(a\)\(1\)\(A\)](#).

Among the additional elements that financial assistance policies must include is a requirement that emergency room physicians provide discounted emergency services to patients who are uninsured or have high medical costs and whose incomes do not exceed 350 percent of the federal poverty level. [Cal. Health & Safety Code §§127400 – 127466](#).



## Financial Assistance Policy Dissemination

California requires hospitals to provide patients written notice of their financial assistance plans and to post notices of the hospital's financial assistance policies for financially qualified and self-pay patients in specified locations in the hospital.

Each hospital's written notice must contain information about the availability of the hospital's discount payment and charity care policies and contact information for an individual or office from which additional information may be accessed. The notice must also advise that emergency room physicians in the hospital must provide discounted emergency services to uninsured patients and patients with high medical costs. [Cal. Health & Safety Code §127405\(a\)\(1\)\(B\)](#). Notice of the hospital's policy for financially qualified and self-pay patients must be conspicuously posted in locations that are visible to the public, including in the emergency department, billing office, admissions office, and other outpatient settings. [Cal. Health & Safety Code §127410](#).

## Limitations on Charges, Billing, and Collections

California law limits hospital billing and collection practices.

California limits the amounts hospitals may charge patients with income not exceeding 350 percent of the federal poverty level. [Cal. Health & Safety Code §12705](#). Hospitals must have written policies specifying when and under whose authority patient debt is referred for collection. [Cal. Health & Safety Code §127425\(a\)](#). For uninsured patients and those with high medical costs, the hospital or assignees of hospital debt owed by a "financially qualified" patient may not, until 150 days after the initial billing, report adverse information concerning the patient to a consumer credit reporting agency and may not commence an action against the patient in civil court. [Cal. Health & Safety Code §127425\(d\)](#). Additional details concerning a patient's property rights and limits on hospital payment practices are set forth in [Cal. Health & Safety Code §§127425-127430](#).

## Income Tax Exemption

California exempts federally tax-exempt nonprofit hospitals from state income tax.

California law exempts from state income tax the income of corporations organized and operated exclusively for charitable purposes and recognized exempt from federal income tax under §501(c)(3) of the Income Tax Code. In addition, a charitable corporation may not attempt to influence legislation or campaign on behalf of any candidate for public office. [Cal. Rev. & Tax. Code §23701d](#).

## Property Tax Exemption

California exempts from taxation the property of qualifying nonprofit hospitals.

California law exempts property used exclusively for charitable hospital purposes where, during its immediately preceding fiscal year, the hospital's operating revenues (exclusive of gifts, endowments,



and grants-in-aid) did not exceed operating expenses by an amount equivalent to 10 percent of those operating expenses. [Cal. Rev. & Tax Code §214\(a\)\(1\)](#).

## Sales Tax Exemption

California law includes no express statutory exemption from sales tax for purchases by nonprofit hospitals. [California State Board of Equalization, Sales and Use Taxes: Exemptions and Exclusions \(2012\)](#).

