
The Affordable Care Act & Community Benefit

**Overview of the Evolution of the
Community Benefit Standard and
Current Practices**

Overview

Review the evolution of federal and state community benefit regulatory requirements.

Discuss community benefit in the context of new requirements brought forth by the Affordable Care Act.

Background on Community Benefit

- **Community benefit concept was first articulated in 1969 IRS policy (IRS 69-545) with the intent to expand nonprofit hospitals' orientation toward the health of populations and communities.**
- **This established a broader framework for community benefit that included activities that would promote community health.**
- **There have been varying degrees of compliance within the nonprofit hospital community.**
- **In recent years the political and economic environment has led to strengthened regulations and increased scrutiny .**
 - **revelations of aggressive collection practices**
 - **low charity care totals**
 - **high executive compensation**
 - **pressure to reduce entitlements to address Federal debt**

Spectrum of Community Benefit Activities



Community Benefit – The California Picture

- **California is one of a handful of states that required community benefit reporting by nonprofit hospitals prior to health reform (CA Senate Bill 697 - 1994).**
- **Over 200 nonprofit hospitals operated by a number of health systems (9 headquartered throughout CA.).**
- **Varying degrees of compliance.**
- **Increased scrutiny of tax-exempt status at the state level (i.e. CA AB 975).**

Community Benefit & the Affordable Care Act

- **The Affordable Care Act focuses on a shift in incentives toward global budgeting and improving community health**
- **Key theme: Increased transparency and accountability for nonprofit hospitals**
- **Section 9007 of the Affordable Care Act specifically calls for strengthening and clarifying the obligations of nonprofit hospitals to invest in addressing their communities' health needs as a condition of their tax exempt status.**

Compliance

- **PPACA § 9007 (a)**
 - **Amendment to IRC (501r)**
 - **Enacted March 23, 2010**

- **IRS**
 - **Revised 990 Schedule H**
 - **2011-52**
 - **2012 – 15537**

ACA § 9007 (a)

- An organization meets the CHNA requirements with respect to any taxable year only if the organization—
 - “(i) has conducted a *CHNA* which meets the requirements of subparagraph (B) in such taxable year or in either of the 2 taxable years immediately preceding such taxable year, and
 - “(ii) has adopted an *implementation strategy* to meet the community health needs identified through such assessment.
- A CHNA meets the requirements of this paragraph if—
 - “(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.*

CHNAs: the Next Generation

Not a “check the box” exercise, but an integral part of the CHI process:

- Engage diverse stakeholders
- Build shared ownership
- Use GIS platforms for data collection and to ID geo concentrations of health disparities
- Set priorities (collaborative)
- Establish baseline to monitor evidence-based interventions
- Leverage limited resources
- Build platform for shared advocacy
- Share accountability and credit

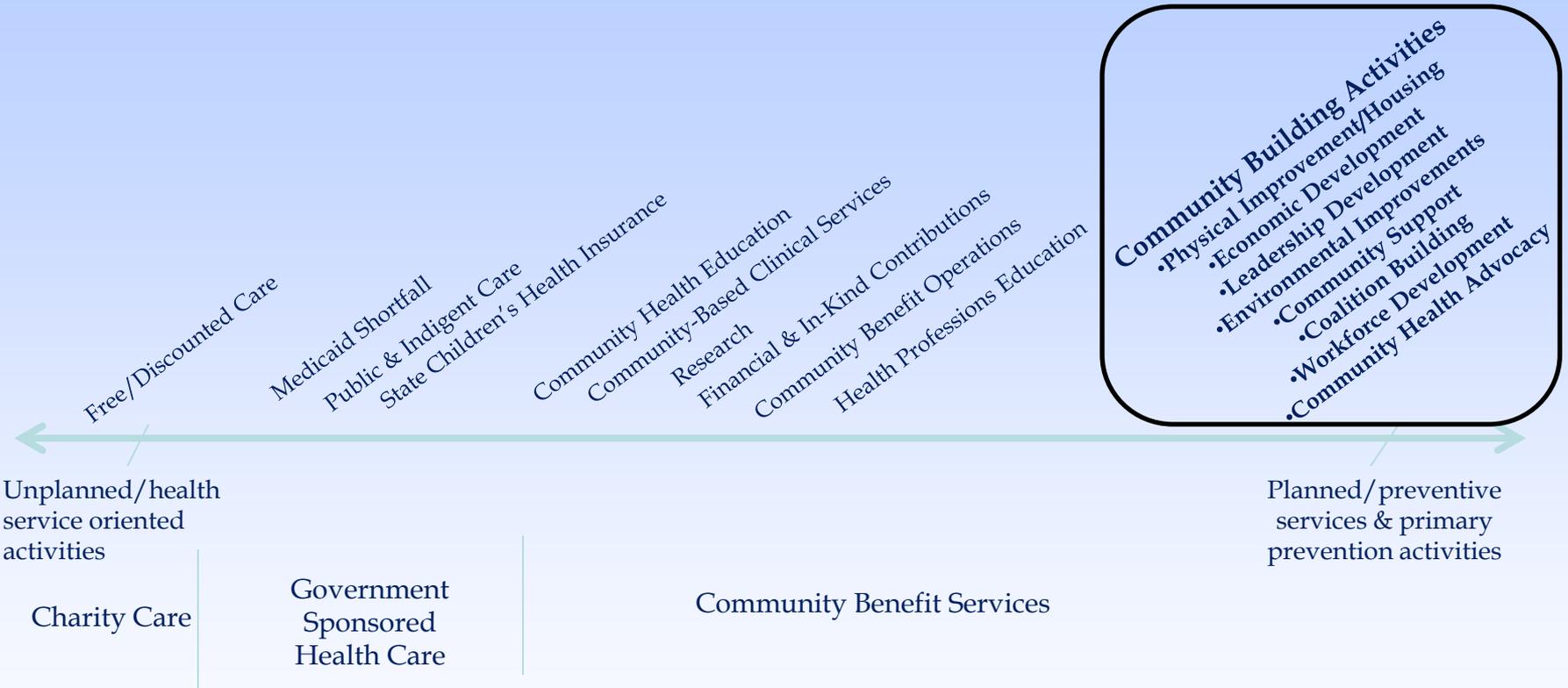
Elements of 990, Schedule H

- **Part I: Financial Assistance and Certain Other Community Benefits at Cost**
 - Organization-level financial assistance policies; application of policies to individual hospital facilities
- **Part II: Community Building Activities**
 - Charitable activities not to be included in the financial totals of the hospital.
- **Part III: Bad Debt, Medicare, and Collection Practices**
 - Section A – Bad debt and financial assistance totals
 - Section B – Medicare shortfalls along with estimates of the portion documented as community benefit with criteria and methods used to derive these estimates
- **Part V: Facility Information**
 - Breakout of organizational costs and processes for each hospital facility
- **Part VI: Supplemental Information**
 - Narrative descriptions of community benefit initiatives, criteria, methodologies, and processes identified in other parts of the form.

Implications of Schedule H

- **Significant expansion in transparency** regarding the charitable practices of nonprofit hospitals
- Likely to be comparative analyses conducted at different levels, including, but not limited to national, state, metropolitan statistical area, county, municipality, and congressional district. Examples include:
 - Language in charity care policies, and budget levels established
 - Billing and collection practices (e.g., eligibility criteria, thresholds)
 - How community is **defined in geographic terms** and includes proximal areas where there are **health disparities**.
 - How to solicit and **use input** from diverse community stakeholders.
 - **Connection between priorities and program areas of focus**.
 - Volume of charitable contributions in each category.

Spectrum of Community Benefit Activities



Community Benefit Activities

Community Building Category

Category of charitable activities developed in a 1997 monograph¹ that focus on addressing the root causes of health problems in local communities. Examples include:

- **Physical improvements** (e.g., housing, street lights, graffiti removal)
- **Economic development** (e.g., job creation, small business development)
- **Social support** (e.g., child care, youth mentoring, leadership development)
- **Environmental improvements** (e.g., park renovation, toxic cleanup)
- **Coalition building**
- **Community health advocacy**

IRS Adjustments on Community Building

- Acknowledgment at IRS that initial ruling based upon a **poor understanding** of importance in community health improvement.
- The most recent IRS instructions include indication that “**some of these activities may also meet the definition of community benefit,**”
 - Hospitals encouraged to document as community health initiative activities
- **Three basic criteria** in instructions justify reporting as a CB:
 - CHNA developed or accessed by the organization;
 - Community need or a **request from a public agency** or community group
 - Involvement of unrelated, collaborative tax-exempt or government organizations as partners.
- Many hospitals have provided support for community building for decades, and are encouraged to report these activities as CB.

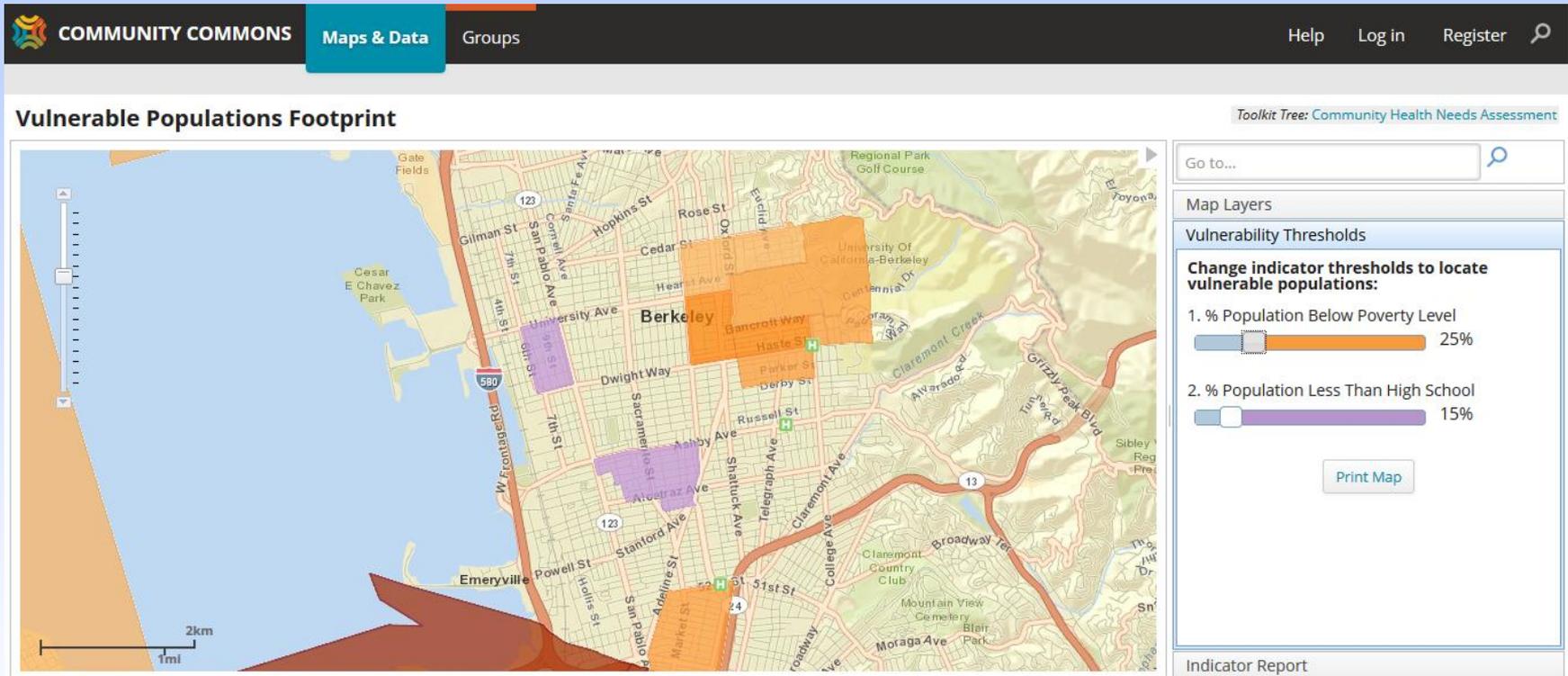
Community Health Improvement: Guiding Principles¹

- Multi-sector collaborations that support the goal of **shared ownership of all phases** of CHI.
- Proactive and **diverse community engagement** to improve results and create the strongest possible sense of ownership.
- A **definition of community** that is **broad enough to consider policy solutions and targeted to address disparities**.
- **Transparency** for optimal engagement & accountability.
- CHI investments **foster innovation**, while resting on **evidence-based interventions** linked to measurable results.
- **Continuous improvement** through ongoing evaluation.
- High **quality data pooled shared among** diverse public and private sources.



¹ – CDC Online Resource developed by GWU SPH

A Geographic-Based Approach to CHI: Berkeley Example



Community Health Improvement can be means to

- ID and **reduce health disparities**
- **Leverage and link resources** of diverse stakeholders

Community Benefit & the Affordable Care Act – Shifting Incentives



| PAYMENT MODELS | | | |
|---------------------------------|--|--|--|
| Fee for Service | Episode-Based Reimbursement | Partial--Full Risk Capitation | Global Budgeting |
| INCENTIVES | | | |
| Conduct Procedures Fill Beds | Evidence-Based Medicine Clinical PFP | Expanded Care Management Risk-adjusted PFP | Reduce Obstacles to Behavior Change Address Root Causes |
| METRICS | | | |
| Net Revenue | Improved Clinical Outcomes Reduced Readmits | Reduced Preventable Hospitalizations/ED Reduced Disparities | Aggregate Improvement in HS and QOL Reduced HC Costs |

An Evolving Model of Community Benefit: Key Areas of Focus

Expanded enrollment in low income communities and shift in reimbursement models creates need for a more geographic-based approach to CB with focus on:

- ID and **reduce health disparities**
- **Leverage and link** resources of diverse stakeholders
- Advance **evidence-based** population health improvement
- Retain **broad framework of health** to ensure attention to root causes of health problems
- Pursue a **balance of responsibilities** consistent with hospital capacity and geographic location
- Evaluate opportunities to achieve economies of scale through collaboration **across geopolitical jurisdictions**

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Community Benefit & the Affordable Care Act – From Compliance to Transformation

Compliance

Transformation

Shared Ownership

Co-finance consultant to conduct CHNA
Hold meetings to discuss design
Return to hospital to set priorities



Ongoing stakeholder engagement to build common vision and shared commitments
Set shared priorities & take coordinated action

Diverse Community Engagement

Solicit input through surveys, focus groups, town halls on health care needs – no action required
Meet with local or state PH officials



Engage diverse community stakeholders as ongoing partners with shared accountability
Identify shared priorities to improve community health

Broad Definition of Community

Define community as hospital service area
Identify underserved pops w/in service area
Design programs at service area level



ID concentrations of health inequities w/in larger region that includes hospital service area
Select geo focus where needs are greatest

Maximum Transparency

Post CHNA report on hospital website
Attach Implementation Strategy (IS) to Schedule H submittal or post on website



Post CHNA & shared priorities in multiple settings
Develop and post IS in multiple settings with defined roles for diverse community stakeholders

Community Benefit & the Affordable Care Act – From Compliance to Transformation

cont'd
Compliance

Transformation

Innovative & Evidence-Informed Investments

Describe how hospital will address priority unmet needs



Survey best practices to ID strategies with evidence of effectiveness or that offer considerable promise
Establish shared metrics that will document ROI at multiple levels

Incorporate Continuous Improvement



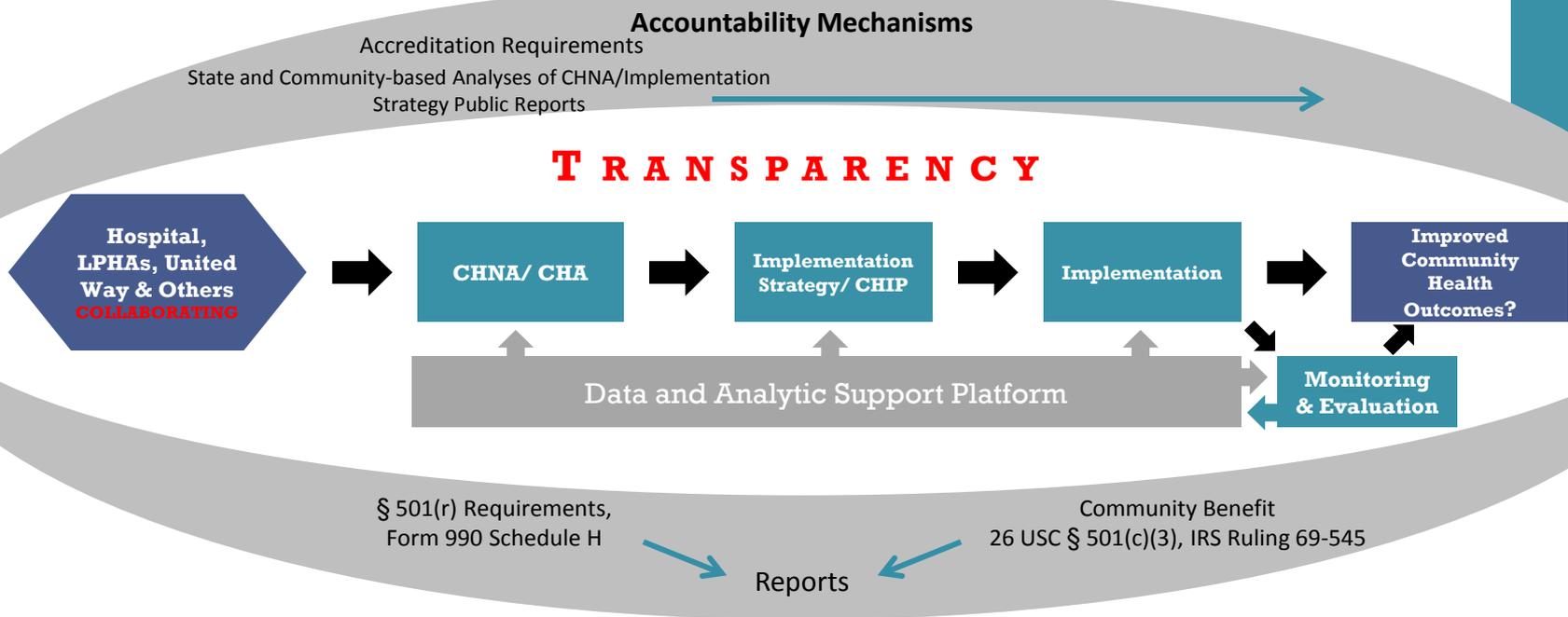
Establish indicators of progress (e.g., systems reforms) that validate progress towards outcomes
Establish monitoring strategy that integrates adjustments based upon emerging findings

Pooling and Sharing of Data



Sharing of utilization data across hospitals, PH, CHCs to assess total cost of care
Proactive determination of ROI at institutional and community level

Community Health Improvement: A Framework to Promote Best Practices in Assessment, Planning and Implementation



**Assuring Shared Ownership of the Process among Stakeholders (e.g., formal agreements)?
Assuring Ongoing Involvement of Community Members**

Key Issues to Address to Promote Alignment between Accreditation, NP Hospital CB, and Other Community-Oriented Processes

- Arranging Assessments that Span Jurisdictions
- Using Small Area Analysis to Identify Communities with Health Disparities
- Collecting and Using Information on Social Determinants of Health
- Collecting Information on Community Assets
- Using Explicit Criteria and Processes to Set Priorities (use of evidence to guide decision-making)
- Assuring Shared Investment and Commitments of Diverse Stakeholders
- Collaborating Across Sectors to Implement Comprehensive Strategies
- Participatory Monitoring and Evaluation of Community Health Improvement Efforts

