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The Progress of US Hospitals in Addressing Community Health Needs

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Historical Context

- In 1956 IRS stated that hospitals must operate "to their financial ability" to care for all people, not just those that could pay for services
- Medicare and Medicaid in 1965 was expected to diminish need for charity care
- Community benefit standards in 1969 created a wider definition than just charity care
- Overwhelming lack of details and enforcement

Legal Challenges

- *Utah County v. Intermountain Health Care, Inc. (1996)*
  - Court found nonprofit Intermountain Health not substantially different than an investor-owned hospital
- *Provena Covenant Medical Center v. The Department of Revenue Illinois (2010)*
  - Found in favor of the State – hospitals must provide minimum community benefit for tax-exempt status
- *City of Pittsburg v. The University of Pittsburg Medical Center (2013)*
  - City demanded withdrawal of tax-exempt status and back taxes
  - Hospital countersued
  - Both cases dropped (2014)

Where are we today?

- Over 50% of all hospitals in the U.S. are nonprofit, nongovernment entities (n=2,870)[1]
- Nonprofit hospitals receive tax-exemptions at the federal, state and local level[1]
- $24 billion dollars in exemptions in 2011, a doubling since 2002[1]
- Many question have arisen about the value of benefits provided commensurate with subsidization[2,3]
- Although some states have community benefit laws, the ACA (Section 9007) strengthened requirements for tax-exempt hospitals to increase transparency on community benefits provided[5-8]

Internal Revenue Code 501(r)

- The ACA mandated the IRS to promulgate regulations on new community benefit standards – draft 2012, final 2014
- 501(r) requires hospitals to:
  - conduct a community health needs assessment (CHNA) at least once every three years
  - make their assessment report publicly available
  - adopt a plan for responding to the needs identified

Research Objectives

For the first year of mandatory hospital reporting (2013):

- How much progress have tax-exempt hospitals made toward CHNA implementation?
- Is there considerable variation among hospitals, and is more progress associated with a hospital's institutional and community characteristics?
- Is there any relationship between a hospital's CHNA implementation activity and its provision of community benefits?

Data Sources

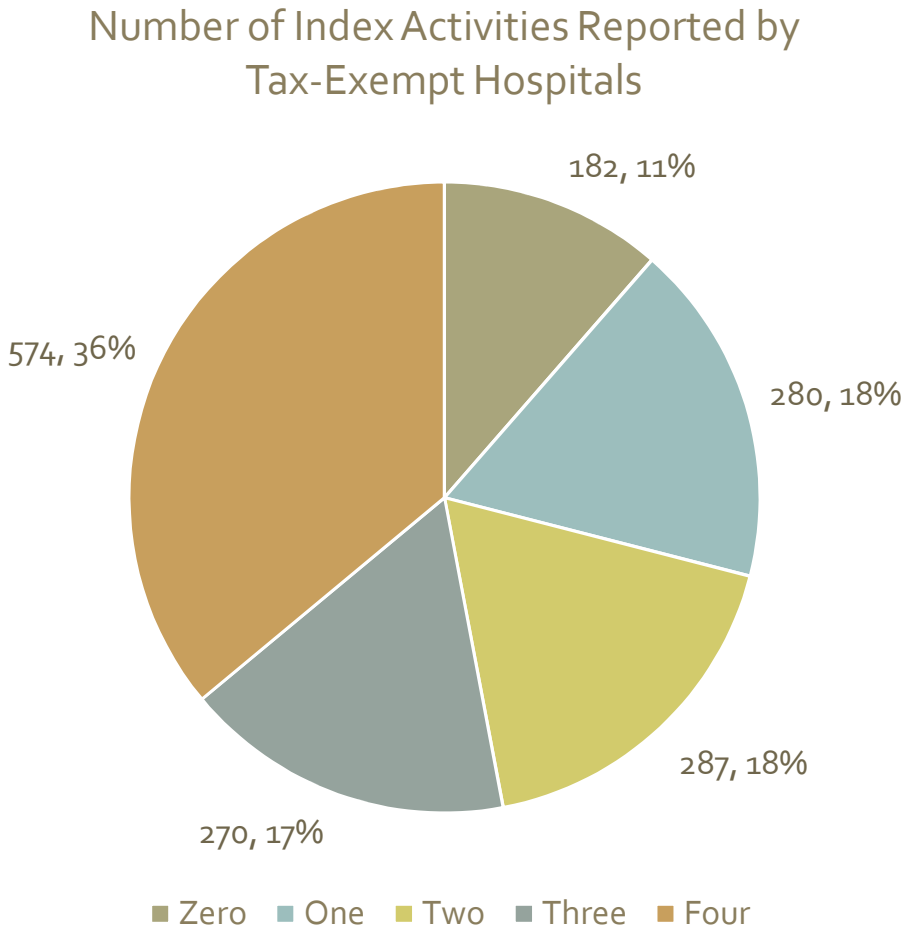
- Primary:
  - 2013 Form 990, Schedule H (IRS tax forms required by hospitals)
- Secondary:
  - Hilltop Institute
  - Census
  - Centers for Medicare and Medicaid
  - Leavitt Partners
  - American Hospital Association

Analytic Methods

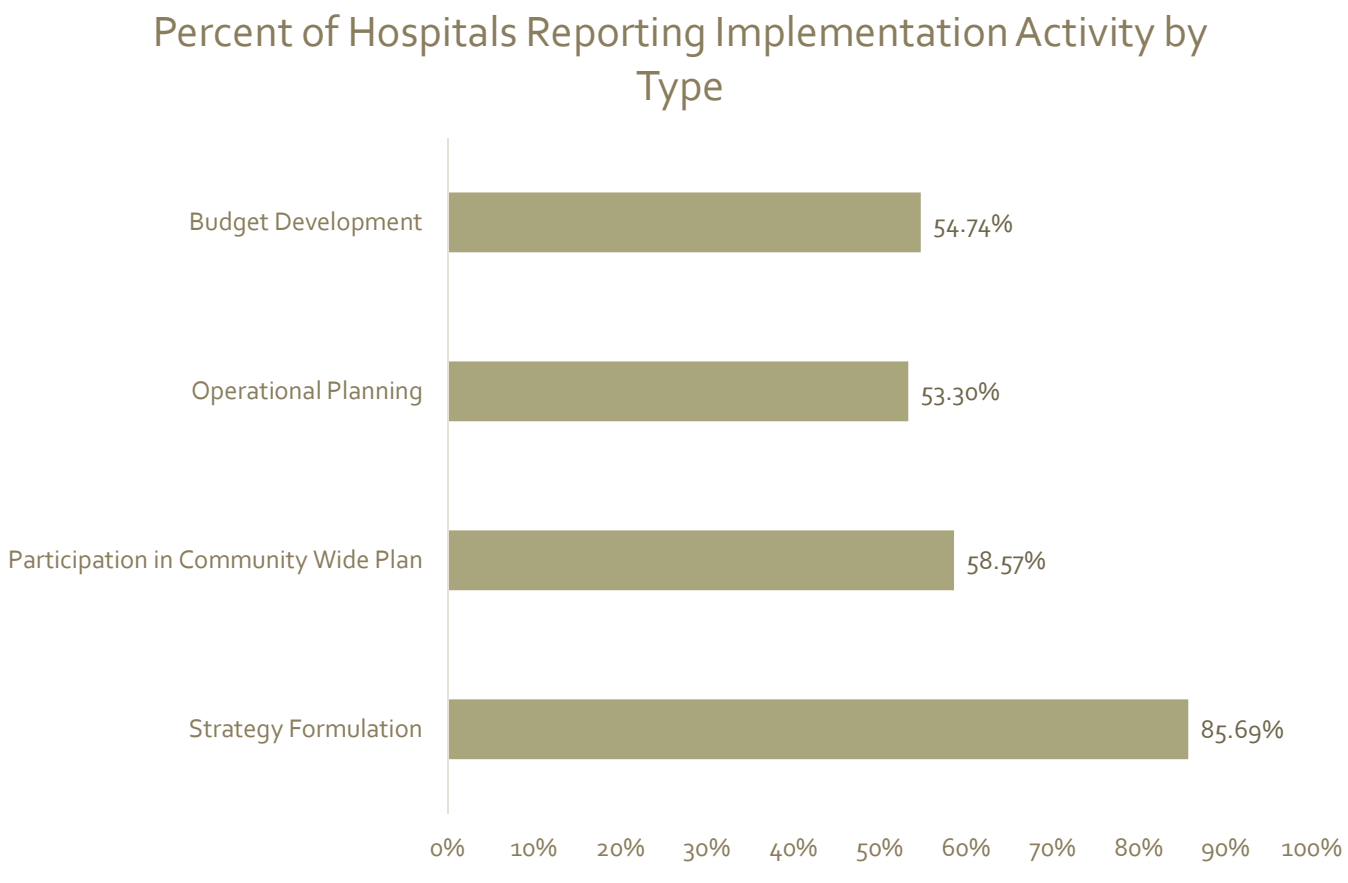
Table 2: IRS Form 990 Schedule H Questions

Sched. H Question Number	Question Language	Percent Responded "Yes"
6a.	Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA?	85.7
6b.	Did hospital execute the strategy?	71.0
6c.	Did hospital participate in the development of a community-wide plan?	58.6
6d.	Did hospital participate in the execution of a community wide plan?	50.4
6e.	Hospital included CHN into operating plan?	53.3
6f.	Adoption of a budget for provision of services that address the needs identified in the CHNA?	54.7
6g.	Hospital prioritized health needs of community?	85.1
6h.	Hospital prioritized services to meet the health needs of the community?	77.7

Results – Variability in Number of Activities



Results – Variability in Type of Activities



Study Design

- Cross-sectional
- Unit of analysis is hospital
- Includes all US tax exempt hospitals not reporting as part of a system with group exemption

Study Population

TABLE 1—Descriptive Statistics of Study Hospitals, United States, 2013

Characteristic	No. of Hospitals (n = 1593)	Proportion or Mean (SD)
Institutional characteristics		
No. of beds		175.15 (189.70)
Case-mix index		1.43 (0.21)
Profit margin		
High	854	0.54
Intermediate	314	0.19
Negative	425	0.27
Affiliation		
System	849	0.53
Network	579	0.39
Teaching hospital	96	0.06
Contract-managed	158	0.11
Church	216	0.14
Sole community provider	108	0.07
Participation an ACO (MSSP or Pioneer)	339	0.21
Total community benefit spending		8.4 (5.490)
Community health improvement spending		0.34 (0.636)
Community characteristics		
Market competition		0.6 (0.34)
Percentage of publicly owned beds		0.06 (0.16)
Percentage of for-profit beds		0.05 (0.13)
Urban location	845	0.54
Percentage uninsured in local community		16.1 (5.22)
Per capita income		37 315.51 (10 333.00)
State CHNA requirement	456	0.29
State community benefit reporting requirement	1 107	0.70
Wage index		0.96 (0.16)
Region		
Western	216	0.14
Southern	398	0.25
Northeastern	377	0.24
Midwestern	602	0.38

Results:

Characteristics associated with progress

- Institutional Characteristics:
  - System affiliation – positive
  - ACO participation – positive
  - Religious affiliation – negative
  - Contract management – negative
- Community Characteristics:
  - Urban location – positive
  - Location in a state with CHNA regulations - positive
  - Proportion of uninsured – negative

Results:

Progress and spending

- We also analyzed whether hospital progress in CHNA implementation planning was associated with hospital spending on community benefits

- Two metrics assessed:
  - Total community benefit spending
  - Community health improvement spending

- No association existed between total community benefit spending
- However, a significant and positive association did exist between hospitals reporting the maximum number of implementation planning activities and spending on community health improvement

Key Learnings

- Hospitals with greater resources may be making more progress on CHNA implementation planning
- Hospitals in less affluent areas may be struggling
- More research is needed to watch trend over time
- High quality data is still lacking
- Qualitative analysis of how hospitals are approaching CHNA is necessary to improve benefits to the community

Policy and Management Impact

- Managers of hospitals:
  - Collaboration with local health departments has been shown to have significant impacts on community health
  - The IRS is enforcing the $50,000 excise tax for noncompliance
  - While the ACA will change, it is unknown what will happen to this provision
    - Not budget related so not included in proposed American Health Care Act of 2017
- Policy makers:
  - Investing in understanding what rural and less affluent communities need is important as they seem to be making less progress
  - If the ACA provision is repealed, encouraging states without community benefit laws to consider adding or strengthening

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