
Health Care & Wellness Committee

HB 2341

Brief Description: Concerning community benefits provided by hospitals.

Sponsors: Representatives Jinkins, Cody, Ladenburg, Van De Wege, Green, Reykdal, Moeller, Tharinger, McCoy, Darneille and Hunt.

Brief Summary of Bill

- Requires nonprofit and public hospital district hospitals to complete a community health needs assessment every three years and a community benefit implementation strategy within a year of the community health needs assessment.
- Establishes three standards that a nonprofit hospital must use to demonstrate that it is meeting its community benefit obligations to maintain its nonprofit status.

Hearing Date: 1/16/12

Staff: Chris Blake (786-7392).

Background:

The Department of Health (DOH) licenses 97 hospitals in Washington. Of these, 87 are either nonprofit hospitals or public hospital district hospitals.

In Washington, until 1973 all hospitals had been exempt from property taxes. Beginning in 1973, the property tax exemption only applied to nonprofit hospitals. A 2007 report by the Joint Legislative Audit and Review Committee found that in property tax year 2006-07 nonprofit hospitals had an annual property tax savings of approximately \$47 million.

Among the requirements for obtaining nonprofit status, a hospital must provide the Washington State Department of Revenue with documentation from the federal Internal Revenue Service that the hospital is exempt from federal income taxes. Federal law requires that hospitals claiming nonprofit status must provide community benefits. The community benefit standard does not quantify a specific level of benefit to the community that a hospital must provide, but requires

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that nonprofit hospitals demonstrate they are providing sufficient benefits to the community. There are several types of community benefits that hospitals may report to satisfy this requirement, including financial assistance in the form of free or discounted health services, other than bad debt; health professions education; community health improvement services; and research. A 2009 report by the Internal Revenue Service found that over half of the community benefits reported by nonprofit hospitals were in the form of free or discounted health care services, those commonly referred to as "charity care."

All hospitals in Washington must develop and maintain charity care policies. The DOH has established standards requiring that individuals at or below 100 percent of the federal poverty guidelines qualify for sponsorship of the full amount of their hospital charges. Those between 101 and 200 percent of the federal poverty guidelines are eligible for discounts from charges according to a sliding fee schedule. Hospitals must report their charity care policies and the amount of charity care provided by the hospital to the DOH.

The federal Patient Protection and Affordable Care Act amends the requirements for hospitals to qualify as nonprofit organizations. Among the new requirements, hospitals must complete a community health needs assessment every three years and adopt an implementation strategy to meet the identified community health needs. In addition, the community health needs assessment must consider input from people who represent broad interests in the community served by the hospital, including those with special knowledge or expertise in public health.

Summary of Bill:

Community Health Needs Assessments.

Beginning January 1, 2014, nonprofit and public hospital district hospitals must submit a community health needs assessment (community assessment) to the Department of Health (DOH). The community assessment must be submitted to the DOH every three years.

In addition to meeting any federal Internal Revenue Service requirements, community assessments must include:

- a description of the community served by the hospital, including both a geographic description and a description of the general population;
- a description of the prioritized health needs of the community and the method for determining those priorities, including the five most common causes of death, identified public health needs, ambulatory sensitive conditions, and social determinants of health;
- a description of the existing health care facilities, health care providers, and other resources in the community;
- a description of the sources of information used for the assessment. Information must come from recognized authorities and sources of data and comments from members of the community served by the hospital, including community members, nonprofit community-based organizations, persons with special knowledge of public health, tribal governments, and representatives or members of populations that are medically underserved, low-income, minority, or chronically ill; and
- an assessment of the impact of prior implementation strategies on the health status and outcomes of populations targeted by community benefit activities.

Community Benefit Implementation Strategies.

Beginning January 1, 2014, hospitals that submit a community assessment must submit a community benefit implementation strategy (implementation strategy). The implementation strategy must be submitted within a year of a community assessment.

In addition to meeting any federal Internal Revenue Service requirements, implementation strategies must include:

- a description of the means for consulting individuals, organizations, and government entities in developing the implementation strategy, including a summary of discussions with and comments from community members, nonprofit community-based organizations, persons with special knowledge of public health, tribal governments, and representatives or members of populations that are medically underserved, low-income, minority, or chronically ill;
- the economic value of the community benefits that the hospital allocated during the prior three years to address the prioritized health needs of the community as identified in the community assessment;
- a plan of programs and activities that will be implemented to address the prioritized health needs of the community for the subsequent three years. The hospital should focus on population health responses to the prioritized health needs, links between clinical services and community health improvement, and evidence-based programs; and
- a description of the mechanisms to be used to assess the effectiveness of the activities at addressing the prioritized health needs of the community.

Community Benefit Levels.

Nonprofit hospitals are required to provide community benefits according to one of three standards. Under these standards the hospital must provide community benefits either:

1. at a level that is reasonable in relation to the community needs defined in the community assessment, the available resources of the hospital, and the tax-exempt benefits received by the hospital. The determination of reasonableness is to be guided by the prudent business judgment of the hospital;
2. in an amount equal to at least 100 percent of the hospital's tax exempt benefits; or
3. in an amount equal to at least five percent of the hospital's net patient revenue.

A nonprofit hospital that has been designated as a disproportionate share hospital in any of the prior three fiscal years is deemed to have provided a reasonable amount of community benefits.

Department of Health Responsibilities.

The DOH shall adopt standards to be followed in conducting a community assessment and developing an implementation strategy. When adopting standards, the DOH shall consider federal requirements related to developing a community assessment and minimize any conflicting administrative requirements. The DOH must also make the community assessments and implementation strategies available to the public. In addition, beginning July 1, 2015, the DOH must report on the implementation strategy reports at least annually.

Definitions.

Definitions are provided for "community benefits," "community benefit implementation strategy," "community building activities," and "community health needs assessment." Each of the definitions refer to the federal nonprofit corporation laws and regulations adopted by the federal Internal Revenue Service.

Legislative Findings.

Legislative findings are made regarding the provision of community benefits by nonprofit hospitals and public hospital district hospitals and the expectation that community benefit activities of hospitals will shift away from providing uncompensated care to uninsured individuals toward population-based community needs. Legislative intent is declared to build upon federal Patient Protection and Affordable Care Act requirements regarding the provision of community benefits by nonprofit hospitals.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after the adjournment of the session, except for sections five and six relating to reports regarding charity care and community benefit implementation strategies, which take effect on January 1, 2015.