



"Community Benefits" Standards for Non-Profit Hospitals

Model Policy 2009

State and local governments spend at least \$5.9 billion in tax exemptions on non-profit hospitals. In return, non-profit hospitals provide "community benefits" intended to help low-income Americans with their health needs. But, with "community benefits" loosely defined and regulated, increasing evidence suggests that taxpayers may not be getting a good return on their investment.

Purpose: The model policy described here will help state legislators preserve the safety net, providing access to health care services for low-income Americans who lack adequate health coverage and ensuring a measurable return for the public's investment in tax exempt health care institutions. This is part of a multi-state campaign – *Progressive Legislators for Health Reform* – that is moving strategic legislation across the states to build momentum for state and national reform. For more information, please contact Adam Thompson, Senior Health Policy Specialist, at athompson@progressivestates.org or (212) 680-3116 x. 105.

Overview

Taxpayer Investment: It's counter-intuitive, but many non-profit hospitals earn more profits than their for-profit counterparts. In April 2008, the [Wall Street Journal](#) reported that, from 2001 to 2006, the combined net income of the 50 largest non-profit hospitals in the US increased nearly eight-fold to a staggering \$4.27 billion. 77% of the 2,033 non-profit hospitals routinely make money, compared with 61% of for-profits.

Non-profit hospitals receive \$12.6 billion worth of federal, state and local tax exemptions, according to a 2006 Congressional Budget Office [report](#). Non-profit hospitals are the most common type, accounting for 68% of the 630,000 Medicare-certified hospitals beds across the US. For-profit hospitals account for a mere 16%. Clearly, the investment in non-profit hospitals is vast and policymakers need to ensure the public is getting real value for this investment.

"Community Benefits" Standards: Congress exempts non-profits from income taxes and states free-up non-profits from paying property taxes. In return for their non-profit status, these hospitals must provide a "community benefit." Many people assume this means charity care, or free care for the uninsured and indigent, but the requirements are so loosely defined and regulated that some non-profits have been reporting the wages they pay to employees as a community benefit, according to the [Wall Street Journal](#).

To shed light on non-profit hospitals and the community benefits provided, the IRS will require hospitals to break-down their community benefit contributions starting in 2009. The new reporting standards are welcome, but minimum standards for providing charity care and gaining non-profit status are a necessary next step.

Model Policy – Create a “Community Benefits Program

State lawmakers can pass "community benefits" legislation to (1) define what qualifies as a "community benefit", (2) establish standards for the provision of these services, and (3) require health care institutions to regularly report the "community benefits" they provide. The [Hospital Accountability Project](#), a project from [Community Catalyst](#), has developed model legislation -- the [Health Care Institution Responsibility Model Act](#) -- with the following objectives:

1. to ensure "community benefits" are equitably and fairly provided among communities
2. to ensure all health care institutions participate in providing "community benefits"
3. to raise the bar for all health care institutions, and
4. to ensure health care institutions know what is required of them in the provision of "community benefits"

To achieve these goals, Community Catalyst identifies the following priorities for legislation designed to better define and regulate the provision of "community benefits":

- Accountability for all institutions - Establish requirements for all health care institutions in the provision of "community benefits," including for-profit and non-profit hospitals and Health Maintenance Organizations (HMOs).
- Standards for "community benefits" - Establish standards that meet the needs of communities through "collective bargaining" between communities and institutions. Massachusetts, for instance, has a target goal that non-profit hospitals provide community benefits up to 6% of total patient operating expenses.

A well-constructed community benefits plan can ensure health care institutions are holding up their end of the bargain to serve the public good and provide important transparency in the medical system.

Key Resources:

- Congressional Budget Office - [Non-Profit Hospitals and the Provision of Community Benefits](#), December 2006 (Compressed Link: <http://tinyurl.com/64l959>)
- Community Catalyst – [Hospital Accountability Project](#) (Compressed Link: <http://tinyurl.com/6758bh>)
- Model Legislation: [Health Care Institution Responsibility Model Act](#) (Compressed Link: <http://tinyurl.com/5pzqrh>) and [Commentary to the Model Act](#) (Compressed Link: <http://tinyurl.com/6aqk7h>)
- Developing Legislation for the Provision of Free Care: Community Catalyst web-guide ["Build Your Own Patient Financial Assistance Act"](#) (Compressed Link: <http://tinyurl.com/5h55e8>)
- Model Legislation: [The Patient Financial Assistance Act](#) (Compressed Link: <http://tinyurl.com/66n6sh>)
- State Laws: [Free Care: A Compendium of State Laws](#) (Compressed Link: <http://tinyurl.com/576uy5>)
- State Fact Sheets: [New York State Requirements Relating to Community Benefits and Free Care](#) (Compressed Link: <http://tinyurl.com/5qz6xv>)
- Community Catalyst: [Guide to Negotiating with Providers to Improve Access to Health Care Services](#) (Compressed Link: <http://tinyurl.com/55wq2g>)