COMMUNITY BENEFIT INSIGHT

Community Benefit Insight Annual Report

2022 | RTI International

What Is Community Benefit?

In exchange for their tax-exempt status, hospitals are required to provide a community benefit. A ***community benefit*** is defined as a program or activity that provides treatment or promotes health and healing as a response to identified community needs. Community benefits have a special focus on disadvantaged populations and must be available to the broader community. According to the Internal Revenue Service (IRS), to count as a community benefit, a program or activity must respond to a demonstrated health-related community need and seek to achieve at least one of the following objectives:

- Increase access to health services.
- Enhance public health.
- Advance knowledge through education or research.
- Relieve or reduce the burden of government to improve health.

Community Benefit Insight Purpose

The Community Benefit Insight (CBI) website is a tool created to provide data to the public on nonprofit hospitals' community benefit spending. The CBI site enables users to view critical information about how tax-exempt U.S. hospitals allocate community benefit expenditures to fulfill the hospitals' mission and to meet tax-exempt regulatory requirements, understand the linkages between community benefit expenditures and community health needs, and inform conversations and partnerships between tax-exempt hospitals and other stakeholders.

Tax-exempt hospitals and communities are undertaking collaborative planning activities through community health needs assessments (CHNAs) and by developing corresponding implementation strategies that respond to identified and prioritized needs. CBI is intended to complement these efforts by providing better access to the community benefit financial reporting data that tax-exempt hospitals provide to the IRS each year.

CBI presents community benefit expenditures as reported by 501(c)(3) tax-exempt hospitals on their tax form, Schedule H (Form 990), for 2010 through 2019 from hospitals in all 50 states and the District of Columbia. The CBI website content is drawn from governmental and hospital sources including Schedule H (Form 990) and the Centers for Medicare & Medicaid Services. RTI has also included information from other governmental sources such as the U.S. Census Bureau, which we have integrated to enable comparisons of the communities in which hospitals are located, and information on measures such as health insurance status and prevalence of poverty in the surrounding community.[1]

Since 2012, tax-exempt hospitals have been required to report on how they carry out their CHNAs, including the planning process used and how the CHNA is made available to the public (before 2012, reporting this information was optional). A CHNA is now required every 3 years. Nonprofit hospitals now report on whether

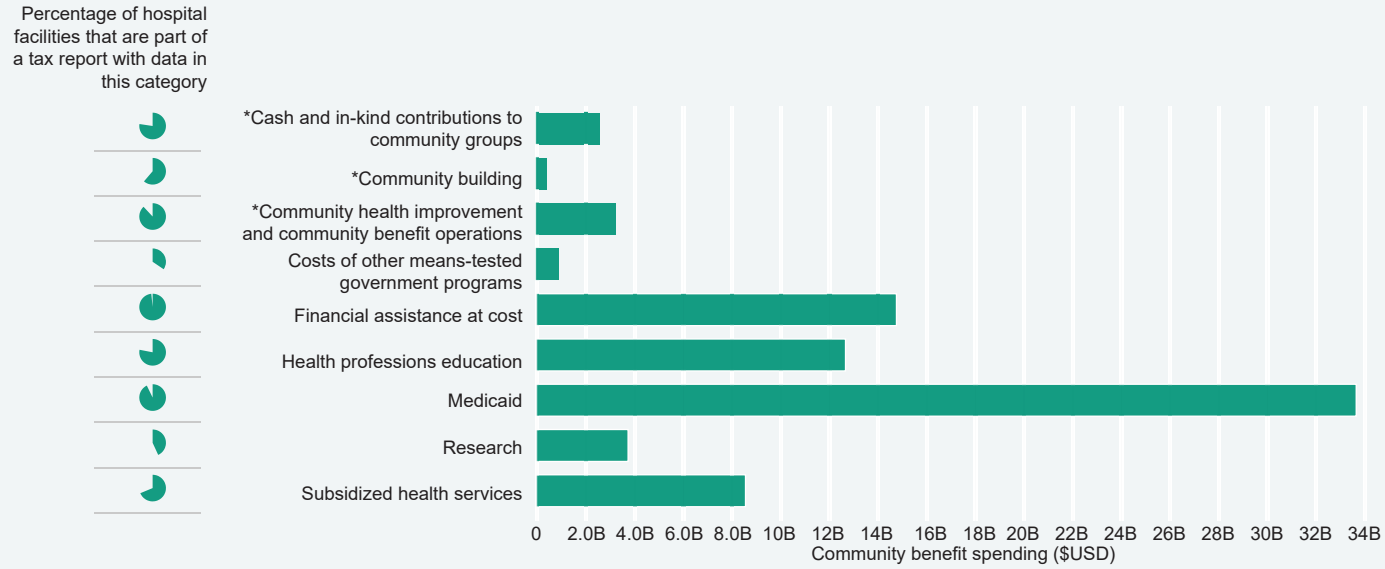
[1] Data elements are sourced from the Area Health Resources Files (AHRF) provided by the Health Resources & Services Administration (https://data.hrsa.gov/data/download). The AHRF pull data from several different sources into one county-level file that we use. Some of the elements we use are from the U.S. Census Bureau. These data elements are provided annually in the AHRF.

the facility has adopted and executed its implementation strategy, which is the community benefit plan developed to respond to the community needs identified in the CHNA process. The CHNA process must include community input, including input from people with expertise in public health. CBI presents CHNA activities as reported by individual facilities to the IRS.

Community Benefit Insight Overview

CBI offers a national analysis of community benefit spending divided into community spending categories, with the data ranging from 2011 to 2019 (***Figure 1***). CBI data are often delayed 2 years. Data for the most recent available year may be incomplete and be incrementally added. In available 2019 data, CBI saw $80.7 billion across 2,795 facilities (number of facilities is an approximate total from the prior year percentage).

Figure 1. Total Community Benefit Spending, by Spending Category: National, 2019



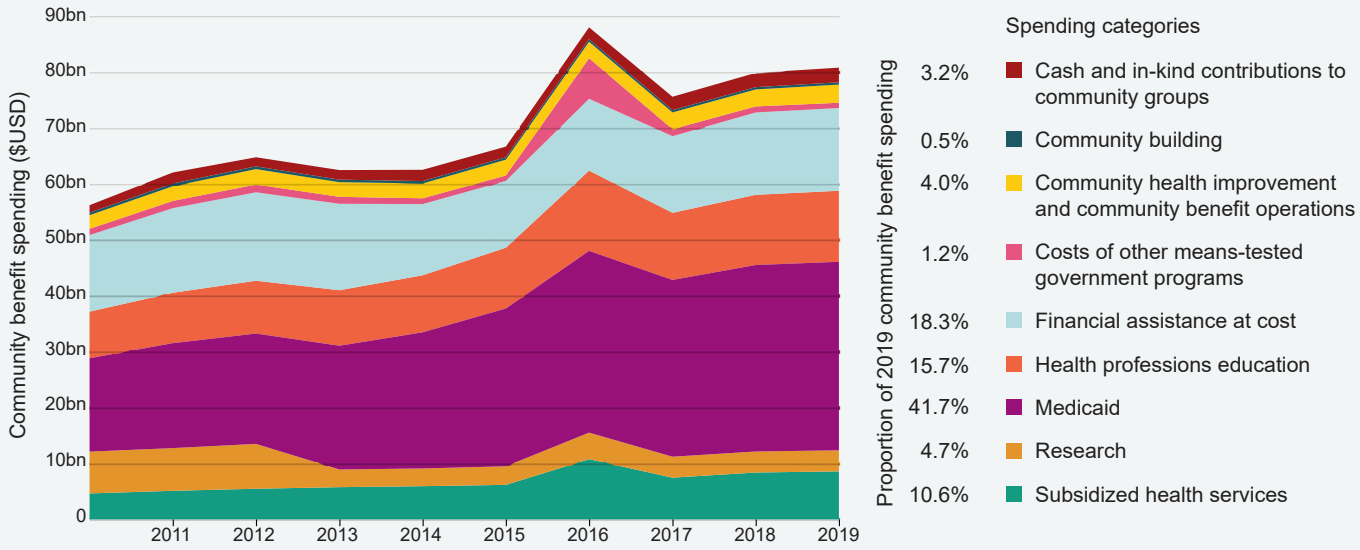
* CBI denoted preventative categories.

Explore data for other years at https://www.communitybenefitinsight.org/?page=state_analysis.home.

National Trends

Community benefit spending is reported by category within defined categories. Proportional spending within the categories differs from state to state. Nationally, the largest proportion of spending was in Medicaid in 2019. The total 2019 community benefit spending, by category, can be seen in ***Figure 2***. Although some categories have smaller proportions of community benefit spending, we believe they are important because spending that is considered “preventive,” specifically “Community health improvement and community benefit operations,” “Cash and in-kind contributions to community groups,” and “Community building,” is critical when considering impact on a community.

Figure 2. Total Community Benefit Spending, by Category: 2019

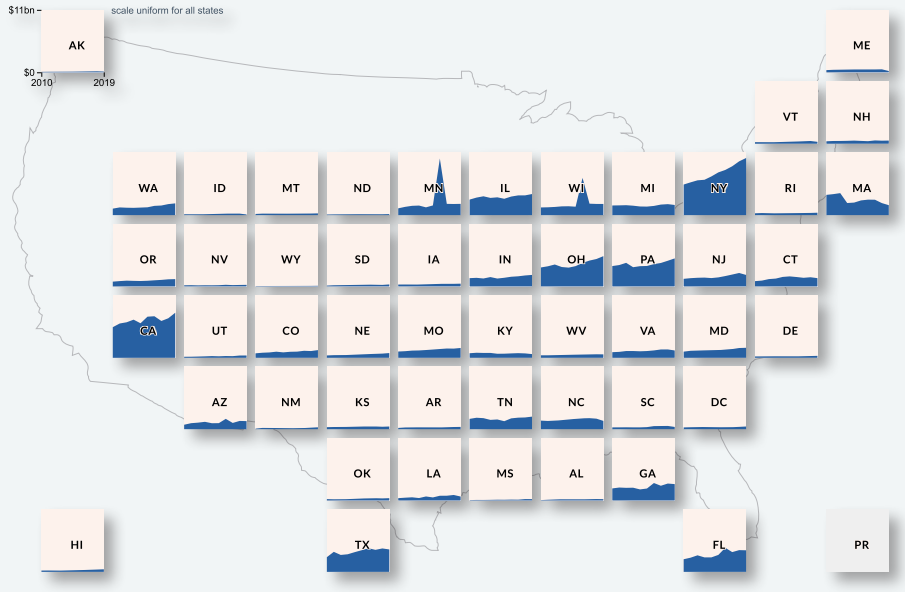


Explore the data further at https://www.communitybenefitinsight.org/?page=national_analysis.home.

State Trends

Some community benefit spending categories are more heavily influenced by population than others, and state populations must be considered when interpreting the data. “Medicaid” and “Financial assistance at cost” had the greatest proportions of community benefit spending in 2019. Overall community benefit spending can be seen in more populous states; however, it is important to look at specific subcategories of spending to understand community benefit. “Medicaid,” “Research,” and “Financial assistance at cost” consistently represent the largest shares of community benefit dollars (***Figure 3***).

Figure 3. Overall Community Benefit Spending, by State

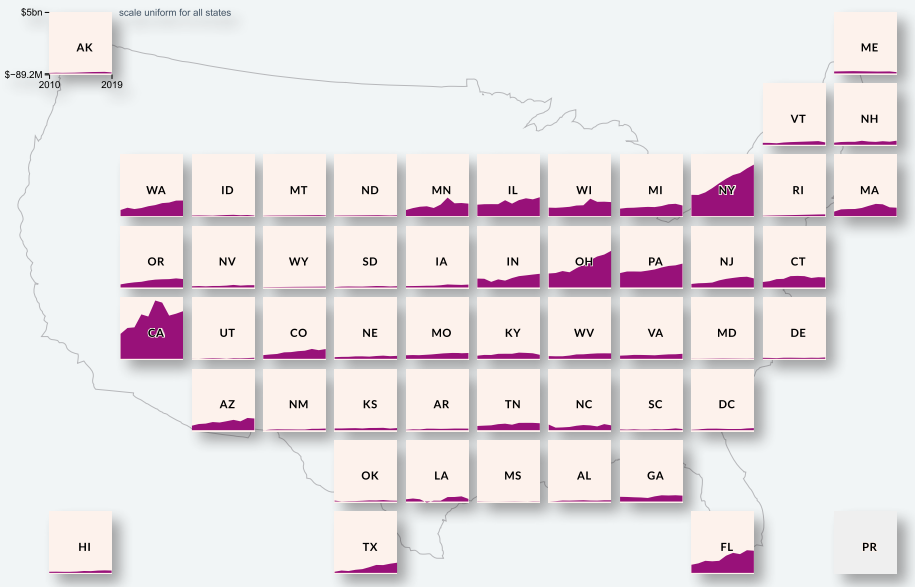


Community benefit spending experts believe there are three categories in which spending may be more preventive: “Cash and in-kind contributions to community groups,” “Community building,” and “Community health improvement and community benefit operations.” These three categories represent spending that may be addressing issues of equity in the community and shifting the balance on social determinants of health.

Although “Medicaid” and “Financial assistance at cost” are categories that generally comprise a larger proportion of community benefit spending, CBI has identified categories that are considered preventive. We believe that spending in these categories has a greater impact on the community.

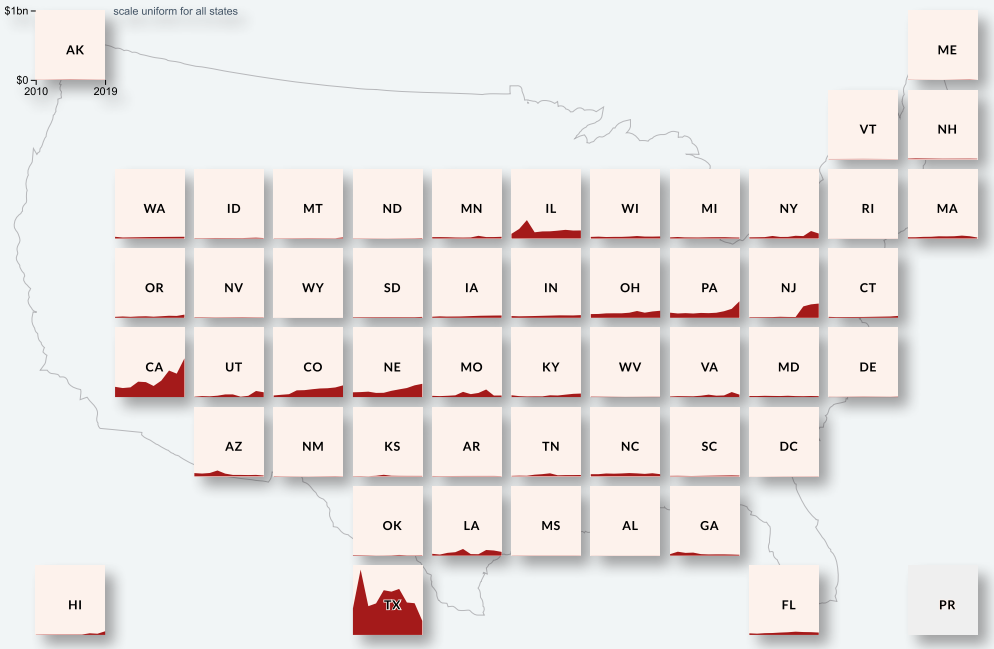
Medicaid is the U.S. health program for individuals and families with low incomes and resources. Primary oversight of Medicaid is handled at the federal level, but each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; and sets the rate of payment for services. For community benefit purposes, the hospitals report the amount incurred by tax-exempt hospitals on the difference between what care costs and what Medicaid pays (***Figure 4***).

Figure 4. Medicaid



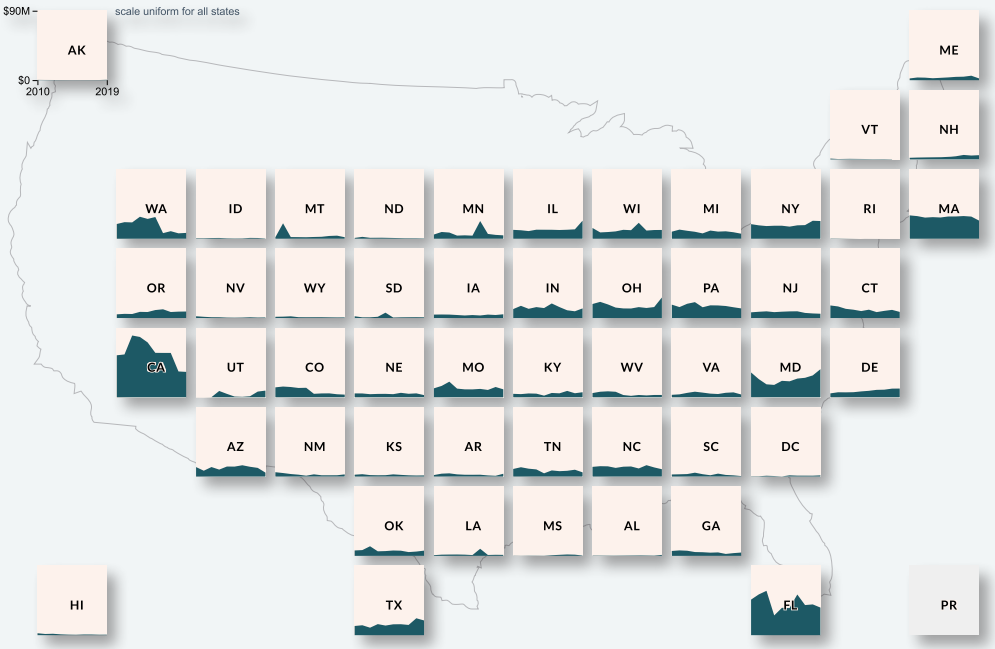
Cash and in-kind contributions are made by the tax-exempt hospital to health care organizations and other community groups restricted to one or more of the community benefit activities. In-kind contributions refer to donations of items or services. In-kind contributions for community benefit include the cost of staff hours donated by the organization to the community while on the organization’s payroll; the indirect cost of space donated to tax-exempt community groups; and the financial value of donated food, equipment, and supplies (***Figure 5***).

Figure 5. Cash and In-Kind Contributions to Community Groups



Community-building activities help build the community's capacity to address health needs and often address the "upstream" factors and social determinants that affect health such as education, air quality, and access to nutritious food. It should be noted that the financial reporting of community-building activities may be embedded within "Community health improvement and community benefit operations" (***Figure 6***).

Figure 6. Community Building



Community health improvement services are activities or programs subsidized by the tax-exempt hospitals, carried out or supported for the express purpose of improving health. Such services do not generate inpatient or outpatient revenue, although there may be a nominal patient fee or a sliding scale fee for these services (***Figure 7***).

Figure 7. Community Health Improvement and Community Benefit Operations