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# **Hospital Community Benefit: From Random Acts of Kindness to Community Transformation**

**Meeting in the Middle: A Primer on Community Reinvestment  
& Community Benefit**

**Federal Reserve Bank of San Francisco, Los Angeles Branch**

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**Kevin Barnett, DrPH, MCP**

**Senior Investigator**

**Public Health Institute**



# Overview

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- Evolution of practices and policies
- New tools and implications for oversight of practices
- Opportunities for alignment and implications
- Moving to intersectoral engagement

# **Community Benefit Defined**

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**IRS definition** - The promotion of health for class of beneficiaries sufficiently large enough to constitute benefit for the community as a whole.

- Reference to a defined community suggests a population health orientation
- Determining the minimum size for the “class of beneficiaries” needed suggests accountability for a measurable impact.

*IRS Rulings 69-545 (1969) and 83-157 (1983)*

# Trends in Practice

**There are many examples of outstanding programs in hospitals across the country, but market dynamics have influenced the interpretation of community benefit.**



# **Areas for Improvement**

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- **Programmatic**

- Small scale, poor design with most activities
- Lack of coordination across programs / activities
- Lack of infrastructure for program monitoring
- Lack of community mobilization / leverage

- **Institutional**

- Lack of infrastructure for governance/oversight
- Lack of knowledge and understanding among leadership
- Lack of formalized quality improvement mechanisms
- Narrow, individual-based engagement

# **Evolution of National/State Policies**

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- IRS redefinition of charity 1969/83
- Local class actions in 70s
- Intermountain Health Care – 1985
- Two models of state statutes: UT & NY – 1990
- National congressional initiative (Roybal/Donnelly)
- Other state approaches TX, MA, CA, PN, NH
  - Commonalities and distinctions
- IRS Field Advisory 2001
- Yale-New Haven case (2005) – the game changer
- Congressional hearings (2006-2009)
- Illinois Supreme Court ruling on Provena
  - Next chapter - Grassley and Rush
- IRS 990 Schedule H
- National Health Reform and the coming change

# ACA § 9007 (a)

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- 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.**

# Elements of 990, Schedule H

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- **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.

# Community Building Category

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- Category of charitable activities developed in a 1997 monograph<sup>1</sup> 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

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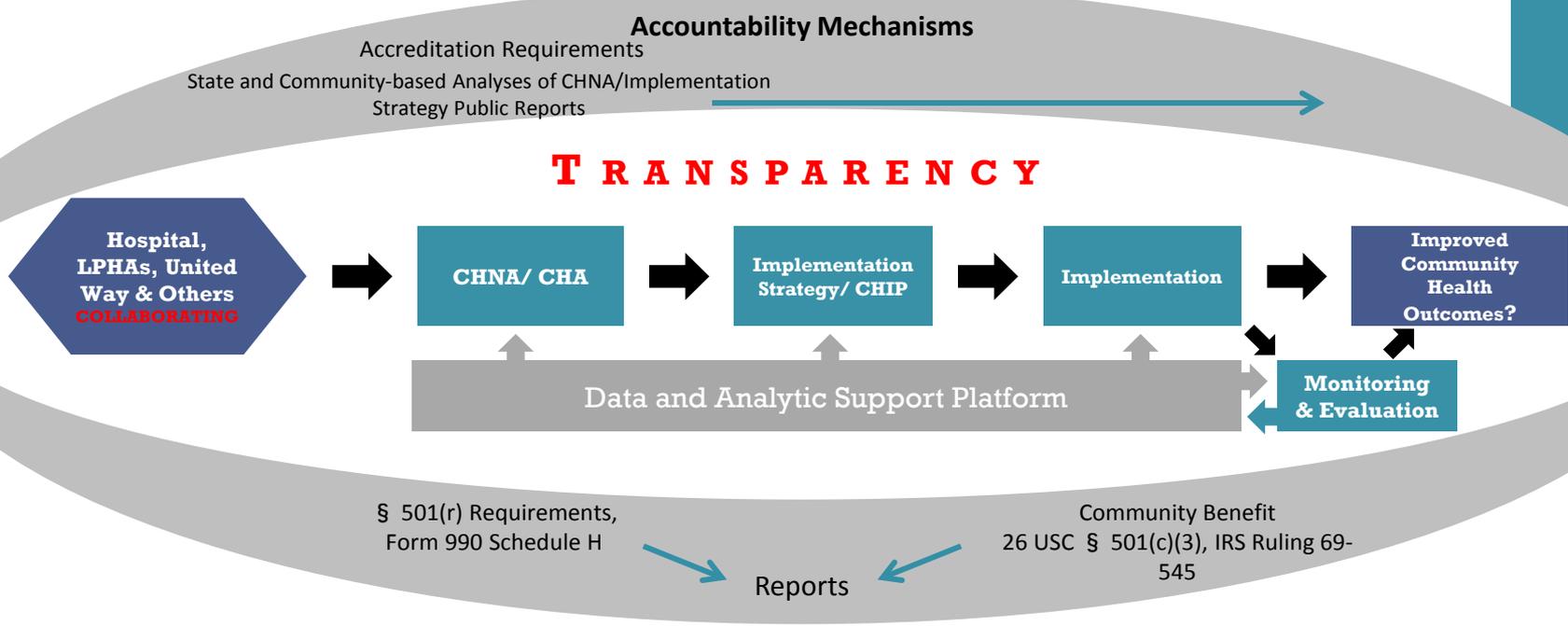
- Acknowledgment at IRS that initial ruling based upon a **poor understanding** of importance in community health improvement.
- The most recent IRS instructions include indication that “**some of these activities may also meet the definition of community benefit,**”
  - Hospitals encouraged to document 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.

# Implications of Schedule H

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- **Significant expansion in transparency** regarding the charitable practices of tax exempt hospitals
- **Will be** comparative analyses conducted at national, state, MSA, county, municipality, and congressional districts. Examples:
  - 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 solicit and **use input** from diverse community stakeholders.
  - **Connection** between **priorities and program areas of focus**.
  - Explanation of why a hospital isn't addressing selected health needs.
  - Volume of charitable contributions in each category.

# 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



# Use of GIS Mapping and Public Data Platforms

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- Emerging opportunities to substantially **reduce the cost and time investment** in collecting data on unmet health needs and demographics through use of public data platforms.
- Helps to present findings in **user-friendly format** and enhances the potential for engagement of diverse community stakeholders.
- Frees up time and resources for a more in depth focus on building **shared ownership for health with diverse stakeholders** and developing collaborative approaches that produce measurable outcomes.
- A public data platform at [www.chna.org](http://www.chna.org) was launched in December 2012 that is free to users and offers the potential to accelerate the data collection and analysis process.

# A Geographic Model of Community Benefit

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- 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**

# Atlanta-Sandy Springs-Marietta, Georgia, Core Based Statistical Area

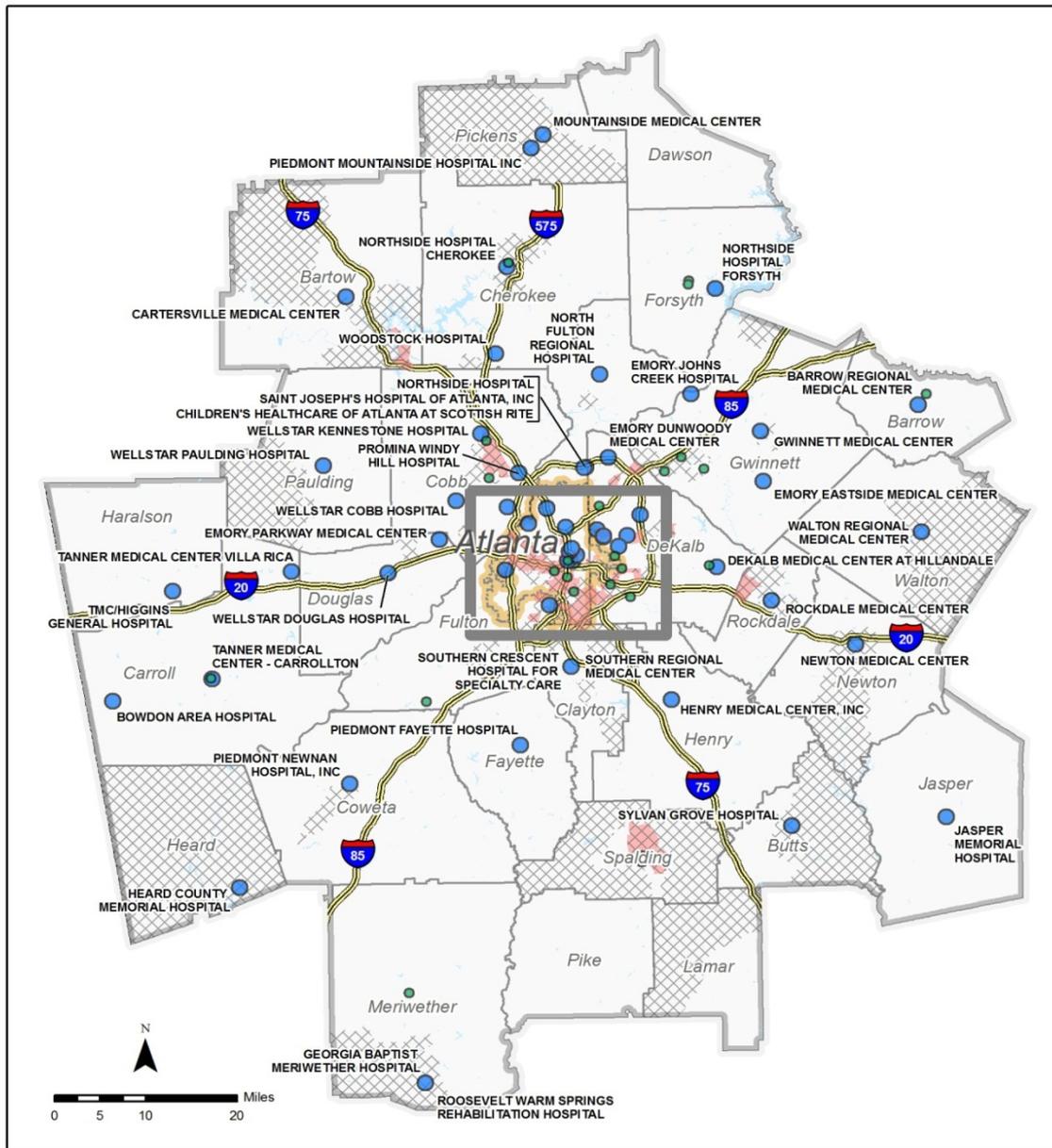
Highlighting Census Tracts with Poverty 30% or higher and Percent not completing high school greater than or equal to 20% for the population 25 and older. Federally Qualified Health Centers and Critical Access Hospitals, and Critical Access Hospitals

- Nonprofit, for profit, and public acute care hospital
- Federally Qualified Health Center (FQHC)

Census Tract with High School non-completion 20% or greater

Census Tract with Poverty 30% or higher

Atlanta City Limit



Sources: U.S. Department of Health & Human Services, Centers for Medicare & Medicaid Services (2010); U.S. Census Bureau, American Community Survey 5-Year Estimates (2005-2009).

# Building a Seamless Continuum of Care: Ambulatory Care Sensitive Conditions

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- Recent move by CMS to cut reimbursement for re-admissions within 30 days for a range of conditions presented a set of near term challenges for hospitals to develop strategies to support patients after discharge.
- Opportunity to “bend the cost curve” by reducing preventable ED and inpatient utilization.
- CB programming can build institutional capacity in this area, and make better use of limited charitable resources.
- Research by John Billings established framework of ambulatory care sensitive conditions (ACS) in the 1990s.
- More recently, AHRQ re-designated ACS metrics as **Prevention Quality Indicators**.

# Near Term Potential Savings

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- In 2002, half of Medicare beneficiaries treated for 5+ conditions, and accounted for 75% of Medicare spending.

Thorpe, KE, Howard, DHL, "The rise in spending among Medicare beneficiaries: the role of chronic disease prevalence and changes in treatment intensity," *Health Affairs (Millwood)*, 2006;25(5): 378 – 388

- Estimated costs for preventable hospitalizations for 2004 were \$29 billion, approximately 10% of total hospital expenditures.

Russo, Allison, et al, "Trends in Potentially Preventable Hospitalizations among Adults and Children, 1997-2004," *Statistical Brief #36, Healthcare Cost and Utilization Project, AHRQ, August 2007*

- Readmissions on 18% of all hospital stays - \$12B (80%) of which are potentially avoidable.

Miller, M., Executive Director, Medicare Payment Advisory Commission, Report to Congress: Reforming the Delivery System, Testimony to Senate Finance Committee, September 16, 2008

# Community Benefit and Health Reform



## PAYMENT MODELS

Fee for Service	Episode-Based Reimbursement	Partial---Full Risk Capitation	Global Budgeting
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## INCENTIVES

Conduct Procedures	Evidence-Based Medicine	Expanded Care Management	Reduce Obstacles to Behavior Change
Fill Beds	Clinical PFP	Risk-adjusted PFP	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
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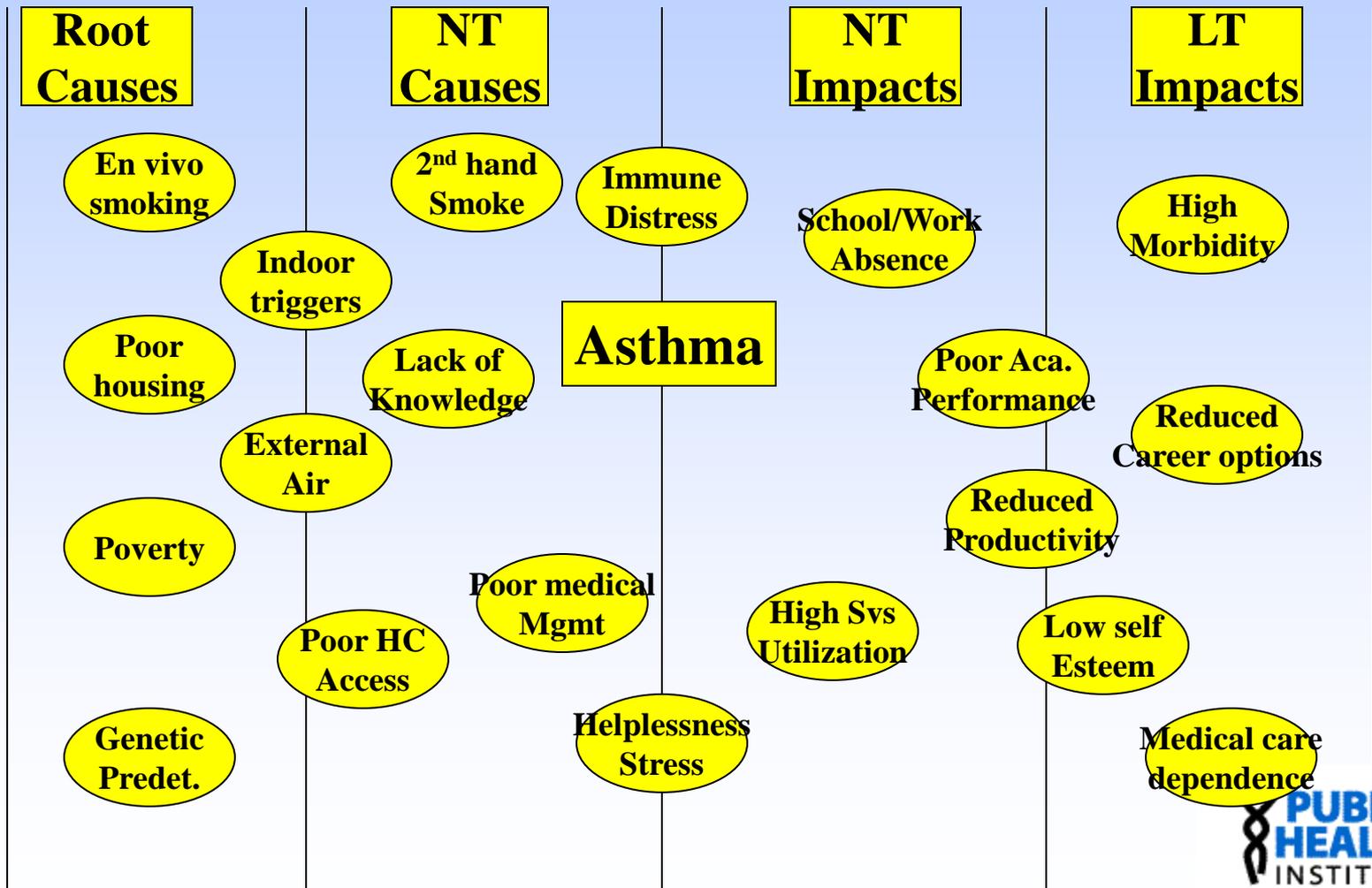
# Health Care and Environment: Comparative Contributions and Metrics

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- Deaths prevented or postponed due to heart disease in a community of 100,000 adults ages 30-84 would be:
  - **1.9** if AEDs in all public places and people trained in their use
  - **15.1** if all individuals with heart attacks received angioplasty
  - **63** if all individuals who met the criteria received an implantable defibrillator or pacemaker
  - **158** if everyone met the goal of 5 servings of fruits & vegetables
  - **159** if no one smoked or were exposed to 2<sup>nd</sup> hand smoke
  - **334** if everyone met the physical activity goal of 150 min/wk
- [Kottke TE, Faith DA, Jordan CO, Pronk NP, Thomas RJ, Capewell S., The comparative effectiveness of heart disease prevention and treatment strategies. Am J Prev Med. Jan 2009;36\(1\):82-88 e85](#)

# Defining the Boundaries

## Breaking Down Complex Issues with Problem Analysis



# Collective Impact<sup>1</sup> – 5 Conditions

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- **Common Agenda**

- “All participants have a shared vision for change, one that includes a common understanding of the problem and a joint approach to solving it through agreed upon actions.”

- **Shared Measurement Systems**

- “Agreement on a common agenda is illusory without agreement on the ways success will be measured and reported.

- **Mutually Reinforcing**

- “Encouraging each participant to undertake the specific set of activities at which it excels in a way that supports and is coordinated with the actions of others.”

- **Continuous Communication**

- “All the collective impact initiatives we have studied held monthly or even biweekly in-person meetings among CEO-level leaders.”

- **Backbone Support Organizations**

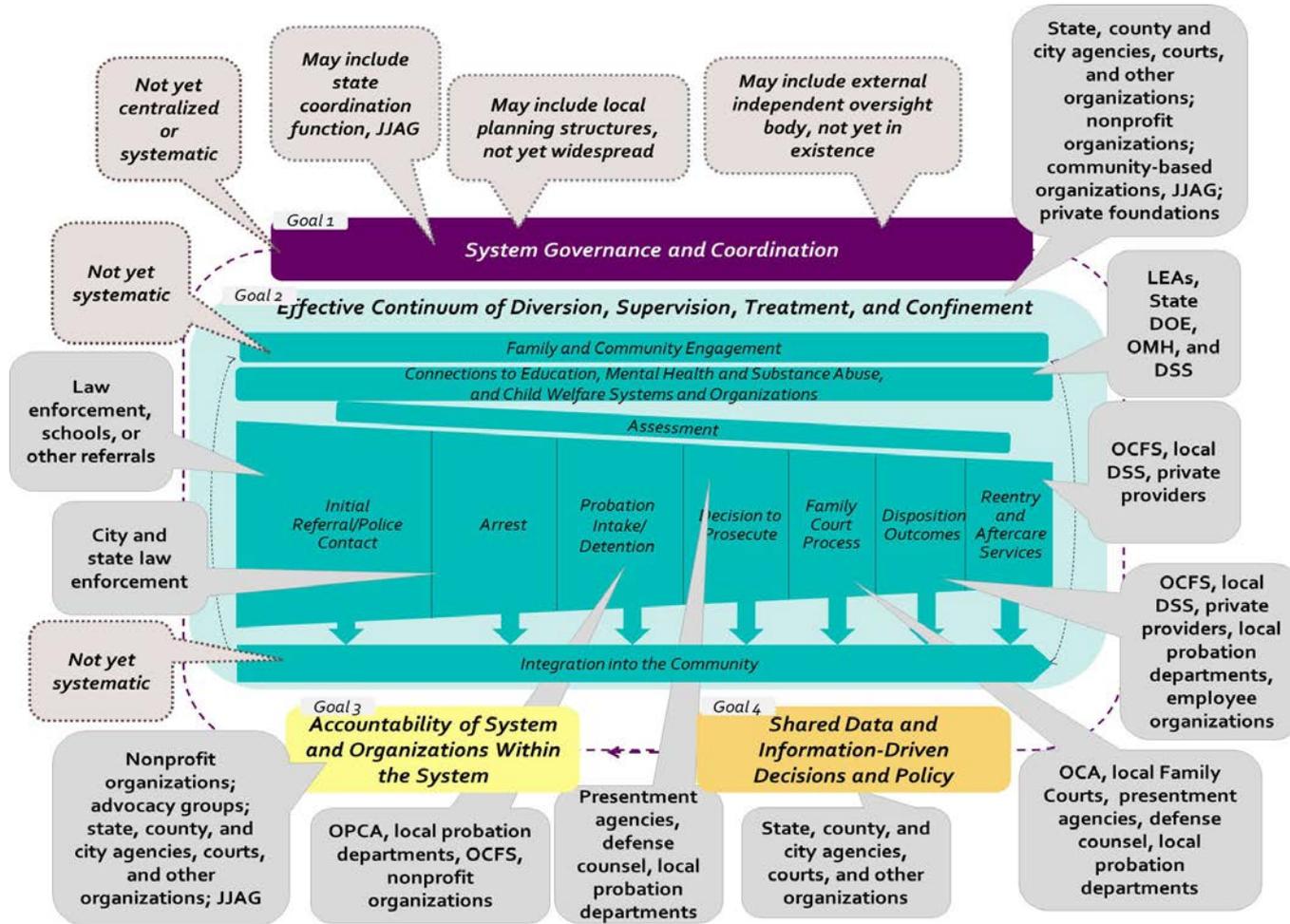
- “The expectation that collaboration can occur without a supporting infrastructure is one of the most frequent reasons why it fails.”

1 - John Kania & Mark Kramer, *Stanford Social Innovation Review*, Winter 2010

# Addressing Determinants of Health: Sample Core Activities, Progress Indicators, and Outcomes

Content Focus Area	Indicators	Outcomes
<b>Strengthen Family and Neighborhood Support Systems</b>	Improved academic performance	Improved child intellectual and emotional function
Child development center	Decrease in “latchkey” children	Decreased child abuse
Child care cooperative	Decreased parent work absence	Decreased domestic abuse
Leadership development	Reduced graffiti/trash	Increased property values
After school programs	Decrease in truancy	Decreased dropout rate
Neighborhood watch	Decreased juvenile delinquency	Decreased youth violence-related injuries
Community garden	Increased access to fresh produce	Decreased pre-diabetes/diabetes
Neighborhood skills bank	Increased civic activity	Decreased burglary/vandalism
	Increase local income generation	Increased youth employment
	Decreases purchase of goods and services outside neighborhood (import substitution)	

# The New York Juvenile Justice System



# Goldman Sachs Invests \$9.6M to Reduce Recidivism

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- **\$9.6 million loan** for a four-year program entitled Adolescent Behavioral Learning Experience (ABLE) to reduce recidivism among young men incarcerated at Rikers Island.
- Counseling and education to 3,000+ incarcerated youth per year - part of the Bloomberg adm. \$127 million, multi-sector Young Men's Initiative.
- **\$7.2 million loan guarantee** from Bloomberg Philanthropies - first example of a social impact bond in the U.S.
- If recidivism reduced by at least 10%, Goldman will be paid back in full by the city, and Bloomberg loan guarantee applied to similar deals.
- If the recidivism rate doesn't drop by at least 10%, Bloomberg funds will be used to repay Goldman. If the rate drops more than 10%, **Goldman could earn as much as \$2.1 million in profit** from the deal.

Source: Chen, David. [\*"Goldman to Invest in City Jail Program, Profiting if Recidivism Falls Sharply."\*](#)  
New York Times 8/02/12



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**“When you talk about community benefit, you’re not talking about clinical benefit or market share. You’re talking about community benefit. So again I think it’s really important to align these institutions with other core institutions that serve the whole community...”**

***Anthony Iton, MD, MPH,  
Senior VP, The California Endowment***

# Taking Innovation to Scale

## What do we mean?

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### Moving from

- Proprietary orientation
- Single interventions
- Internal return on investment (ROI)
- Cohort-based approach
- Institutional accountability
- Rely on clinician champions
- Excellence in CB practices
- Doing good things without documentation



### To

- Intersectoral engagement
- Comprehensive approaches
- Commitment to shared metrics with multiple ROIs
- Population approach
- Shared Accountability
- Strategic engagement of clinicians
- Integration of CB & H operations
- Communicating with peer leaders

# Contact Information

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- **Kevin Barnett, Dr.P.H., M.C.P.**  
**Public Health Institute**  
**555 12<sup>th</sup> Street, 10<sup>th</sup> Floor**  
**Oakland, CA 94607**  
**Tel: 10-285-5569 Mobile: 510-917-0820**  
**Email: [kevinpb@pacbell.net](mailto:kevinpb@pacbell.net)**