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What "Community Building" Activities are Nonprofit Hospitals Reporting as Community Benefit?

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What “Community Building” Activities are Nonprofit Hospitals Reporting as Community Benefit?

Abstract

In 2008, the Internal Revenue Service (IRS) revised and standardized the reporting policy for community benefit expenses for nonprofit hospitals. These expenses are required for tax exemption. At that time, the IRS designated some categories of activities as non-eligible as a community benefit, but still mandated their reporting on hospitals’ Form 990, the annual tax filing for nonprofit organizations. One such category was community building, which encompasses a broad range of nonmedical determinants of health and an important potential source of population health revenue. This is the first study to analyze community-building dollars at any level, examining New York State’s nonprofit hospitals during the 2010 and 2012 tax year. Forty-six percent of hospitals reported any amount for such activities in both years, totaling 17.8 million dollars in 2010 and 16.4 million dollars in 2012. We believe this category deserves additional attention from policymakers and researchers, and should be considered by the IRS an eligible community benefit activity.

Keywords

Nonprofit Hospitals, Population Health, Public Health Funding, New York, Community Benefit

Cover Page Footnote

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New York State has recently undertaken reforms of its healthcare sector to achieve the "Triple Aim" in the state – to improve health, lower costs, and provide better care. Key elements of these reforms are the Medicaid Redesign Team (MRT) Waiver Amendment; the pending State Health Innovation Plan (SHIP)- which seeks to strengthen primary care as a foundation for the health system; and the Prevention Agenda- the statewide framework for tackling priority health problems through community action. Implementing these population health reforms will be new for almost all providers, who often have limited resources. The community benefit requirement for non-profit hospital tax-exemption represents a possible revenue source for NYS Prevention Agenda activities, and population health improvement in general.

In 2008, the Internal Revenue Service (IRS) changed the reporting requirements for Form 990, Schedule H, which certifies a hospital's non-profit status through its community benefit activity (1). The Schedule H standardized what the IRS considered eligible activities, which include financial assistance at cost, Unreimbursed Medicaid, other unreimbursed means tested government programs, subsidized health services, community health improvement services, health professional education, research, and cash and in-kind contribution. The first studies from this data recently appeared, indicating large variation across hospitals in reported activity (2,3). Schedule H also contains three supplemental categories- community building, unreimbursed Medicare, and bad debt expenses- that are not eligible to be counted as community benefit. The IRS deemed the reporting of the categories important for research purposes, however. Supplemental categories are optional, but expenditures must be reported if they exist.

No published analysis of Form 990, Schedule H community building dollars currently exists. Activities that qualify for community building are those that support and further public health pursuits, but are not directly related to treatment or services. This category represents a potentially significant and reliable source of revenue to address broader aspects of population health (4). This report presents the first analysis of Schedule H community building activities, examining New York State non-profit hospitals in the 2010 and 2012 fiscal year.

METHODS

Community building data was collected from 302 nonprofit hospitals and satellite facilities' Form 990, Schedule H for New York State in 2010. The 2012 sample consisted of 207 hospitals, as satellite facilities are listed separately in later years. However, only 147 and 152 forms were analyzed in 2010 and 2012 respectively, because hospital systems often file separate facilities jointly. This information was obtained from the website Guidestar, a nonprofit research service.

Since 2010, the IRS has required reporting of these community building expenses in nine categories as part of the Schedule H revisions (These categories are defined in the following way (1):

"Physical improvements and housing" include the provision or rehabilitation of housing for vulnerable populations, neighborhood improvement or revitalization, housing for vulnerable patients upon inpatient facility discharge, and the development or maintenance of parks and playgrounds.

"Economic development" can include assisting small business development in neighborhoods with vulnerable populations and creating new employment opportunities in such areas.

"Community support" can include child care and mentoring programs for vulnerable populations, neighborhood support groups, violence prevention programs, and disaster readiness.

"Environmental improvements" include activities to address environmental hazards that affect community health, such as alleviation of water or air pollution, or safe removal or treatment of waste products.

"Leadership development and training for community members" includes training in conflict resolution; civic, cultural, or language skills; and medical interpreter skills for community residents.

"Coalition building" includes participation in community coalitions and other collaborative efforts with the community to address health and safety issues.

"Community health improvement advocacy" includes efforts to support policies and programs to safeguard or improve public health, access to health care services, housing, the environment, and transportation.

"Workforce development" includes recruitment of physicians and other health professionals to underserved areas, and collaboration with educational institutions to train and recruit health professionals needed in the community

"Other" refers to community building activities that protect or improve the community's health or safety that are not described in the categories listed in lines 1 through 8 above.

RESULTS

Table 1 displays the results for 2012. 71 of the 152 forms (46.7 percent) reported any community building in 2012, compared to 67 of the 147 forms (46.2 percent) in 2010. Community building activities totaled 17.8 million dollars for 2010 and 16.4 million dollars in 2012 New York State. This averaged to 261 thousand dollars and 231 thousand dollars per hospital respectively, but varied considerably with size (with larger hospitals having greater expenses).

Table 1- Total Community Building Dollars by Category 2012

Category	Total Community Building Dollars	Average Dollars Community Building Per Hospital	Percent of Community Building Total Dollars	Percent of Hospitals Reporting Category Expenditure
Physical improvements and housing	$651,076	$9,170	4.0%	4.2%
Economic Development	$74,032	$1,043	0.5%	14.1%
Community Support	$5,288,265	$73,078	32.3%	67.6%
Environmental Improvements	$550,497	$7,753	3.4%	16.9%
Leadership Development and Training for Community Members	$412,221	$5,889	2.52%	16.9%
Coalition Building	$1,499,509	$20,554	9.30%	43.7%
Community Health Improvement Advocacy	$2,842,279	$40,032	17.3%	39.4%
Workforce Development	$4,247,218	$59,820	25.9%	38.0%
Other	$950,795	$13,391	5.8%	14.1%
Total	$16,381,848	$230,646	----------	----------

The majority of dollars were allocated, in order, into workforce development (30 percent of total dollars), community support (25.5 percent), and community health improvement advocacy (17.7 percent) categories. These categories remained the largest in 2012, with dollar shares of 25.9 percent, 32.3 percent, and 17.3 percent. Most hospitals with community building expenses allocated funds into only one or two categories, as displayed in Table 2. Thirty hospitals (43.5 percent) reported dollars in only one category, while 16 hospitals (23.2 percent) had two activites in 2010. In 2012, this improved with only 24 (33.8 percent)

reporting in a single category. A minority of hospitals reported dollars across a range of categories. Hospitals with activties in four to seven cateogories accounted for 14.4 percent of facilites, or 10 hospitals total. Examples listed in the qualitative descriptions included a range of programs, such as disaster preparation, excercise promotion, leadership development, and coalition building. However, the programs were listed without specific details, nor the amount allocated to each program.

Table 2- Number of Categories Reported 2012

Community Building Categories Reported	Number of Hospitals	Percent
1	24	33.8%
2	18	25.3%
3	13	18.3%
4	6	8.4%
5	5	7.0%
6	3	4.2%
7	1	1.4%
8	1	1.4%

IMPLICATIONS

The non-medical factors found in the community building category of Schedule H are important determinants of population health. These factors however, are still unappreciated and underfunded. Community building activities by non-profit hospitals represent a source of funding to improve such factors and the health of the nation in general. This study represents the first examination in one state of reported community building for 2010 and 2012. When the final Schedule H reforms were announced, community building was considered ineligible as allowed community benefit because the impact of such activities was under researched. However, the growth of social epidemiology has produced convincing evidence of the role of the social determinants of health in population health outcomes, and IRS policy is moving in a positive direction. Since 2012, hospitals can count certain community building expenses toward community benefit if they are listed on the hospital's community health needs assesment and have proven, direct health impacts (1). Community building can also be counted if a community organization partners with the hospital or asks for a project to be undertaken (1)(5). Additionally, the 2012 edition of CHA's A Guide to Planning and Reporting Community Benefit added a subcategory to the Community Health Improvement category, "Social and Environmental Improvement Activities" defined as, "programs and activities that improve the health of persons in the community by addressing the determinants of health, which includes the social, economic and physical environment." This may partially explain the decline in allocation in 2012, and may lead to little being reported in this category in the future (5). The potential for community building contributions, even if reported as community health improvement, is substantial. Future research from other states and for current years should carefully track and report publically on this important opportunity.

SUMMARY BOX:

What is Already Known about This Topic? Community benefit data of non-profit hospitals has only recently become available to researchers. Current research demonstrates these expenses totaled in the billions of dollars, but are highly variable in allocation.

What is Added by this Report? No previous study has investigated the supplemental category, Community Building Expenses. This category funds projects addressing wider determinates of public health in local communities.

What are the Implications for Public Health Practice, Policy, and Research? Wider knowledge of these funds for local projects in order to improve wider determinates of public health. Also, greater attention to the fact that such pursuits are not counted community benefits.

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