

HOUSE BILL REPORT

ESHB 2341

As Passed Legislature

Title: An act relating to community benefits provided by hospitals.

Brief Description: Concerning community benefits provided by hospitals.

Sponsors: House Committee on Health Care & Wellness (originally sponsored by Representatives Jinkins, Cody, Ladenburg, Van De Wege, Green, Reykdal, Moeller, Tharinger, McCoy, Darneille and Hunt).

Brief History:

Committee Activity:

Health Care & Wellness: 1/16/12, 1/26/12 [DPS];

Health & Human Services Appropriations & Oversight: 2/2/12, 2/3/12 [DPS(HCW)].

Floor Activity:

Passed House: 2/13/12, 63-35.

Passed Senate: 2/29/12, 42-6.

Passed Legislature.

Brief Summary of Engrossed Substitute Bill

- Requires nonprofit hospitals to make community health needs assessments and community benefits implementation strategies widely available to the public.

HOUSE COMMITTEE ON HEALTH CARE & WELLNESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Cody, Chair; Jinkins, Vice Chair; Clibborn, Green, Moeller and Van De Wege.

Minority Report: Do not pass. Signed by 4 members: Representatives Schmick, Ranking Minority Member; Hinkle, Assistant Ranking Minority Member; Harris and Kelley.

Staff: Chris Blake (786-7392).

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON HEALTH & HUMAN SERVICES APPROPRIATIONS & OVERSIGHT

Majority Report: The substitute bill by Committee on Health Care & Wellness be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Dickerson, Chair; Appleton, Vice Chair; Cody, Green, Kagi and Pettigrew.

Minority Report: Do not pass. Signed by 5 members: Representatives Johnson, Ranking Minority Member; Schmick, Assistant Ranking Minority Member; Harris, Overstreet and Walsh.

Staff: Amy Skei (786-7109).

Background:

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 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.

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 Engrossed Substitute Bill:

As of January 1, 2013, nonprofit hospitals must make the community health needs assessments completed for the federal government widely available to the public every three years. Unless it is contained in the community health needs assessment, nonprofit hospitals must complete a detailed description of the community served by the hospital and make it available to the public. Hospitals must provide both a geographic description and a description of the general population of the community served by the hospital. In addition, the description must include specific demographic information, including leading cause of

death, levels of chronic illness, and descriptions of the medically underserved, low-income, minority, or chronically ill populations.

Within a year of completing their community health needs assessments, nonprofit hospitals must complete a community benefit implementation strategy and make it widely available to the public. The community benefit implementation strategy must be developed in consultation with community-based organizations and stakeholders and local public health jurisdictions. Hospitals must provide a brief explanation for not accepting recommendations for community benefit proposals identified by the stakeholder process. Implementation strategies must be evidence-based, if available, or any innovative programs and practices should be supported by evaluation measures.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Health Care & Wellness):

(In support) With the expansion in health coverage in 2014, it is expected that there will be much less need for charity care, but still a need for community benefits. The Affordable Care Act (ACA) requires that hospitals conduct a community health needs assessment and then decide which community benefits they will pursue. This bill assures that hospitals have a meaningful engagement with the community when developing community health needs assessments. This bill aligns community benefits activities with public health challenges.

Assessment is a core function of the governmental health system and is used to identify overall causes of disease as well as causes of illness, injury, or premature death. Public health departments have lost much of their ability to do assessments and this bill could help restore those activities. Hospitals are often the beneficiaries of good planning and assessments through reduced emergency department use and appropriate use of health services.

While the focus on the five leading causes of death is good, it should also include causes of preventable illness and injury. The process in the bill will help direct resources toward the greatest needs. There should be a stronger link to the work of the governmental public health system and other hospitals serving the same community.

This is a chance to start moving forward early with health reform. It makes sense to guarantee that hospitals are gathering good information on the health needs of their communities and that they focus on community benefits and that they prioritize health needs. This is an opportunity to involve underrepresented and underserved communities in planning. This bill sets up the mechanism to better meet the health needs of the uninsured population. Better health will lead to less incarceration, greater public safety, and better education. This bill will make sure that representatives of different populations are at the table for

implementing the strategies. This bill gives greater accountability for the tax exemptions in this state.

The bill's options regarding the amount of community benefit to be provided will assure greater consistency across the state. The bill could be modified so that hospitals can meet both their federal and state reporting requirements simultaneously. Some public health departments are having trouble engaging their hospitals in developing community health needs assessments. Producing a community health needs assessment could be countable as a community benefit expenditure. Community building activities are not typically countable under federal guidelines, but the bill could make them countable as community benefit expenditures.

(Opposed) Nonprofit hospitals must report a Schedule H to the federal government including financial assistance, shortfalls, community health improvement services and community benefit operations, subsidizations of health services, funds for research, and community building activities. The ACA will require more hospitals to conduct community health needs assessments in 2013. This bill will require many reporting requirements for hospitals in addition to the new ACA requirements. Hospitals are already reporting a lot of information and will have many new reporting requirements and should not have to comply with this additional requirement until the federal guidelines for community health needs assessments are in place. The bill's nonprofit status provisions raises concerns about enforcing this at the state level before it is known what the federal government will require. There is a lot going on around community health needs assessments and the bill should be held until there is more certainty about the federal requirements.

Staff Summary of Public Testimony (Health & Human Services Appropriations & Oversight):

(In support) In 2014 the federal Affordable Care Act (ACA) will reduce the need for charity care, yet nonprofit hospitals will still need a way to provide community benefits in order to meet their nonprofit requirements. This bill will be funded out of the Hospital Data Collection Account. This bill allows hospitals to count their community health needs assessment activities as community benefits. Community health assessment is a core function of public health. This bill helps public health focus its scarce resources on the biggest problems.

(Opposed) The federal has a new requirement that nonprofit hospitals conduct community health needs assessments and this bill will create additional requirements and add costs for hospitals. Federal reporting guidelines have not yet been adopted, so it is premature to add these state reporting requirements.

Persons Testifying (Health Care & Wellness): (In support) Representative Jinkins, prime sponsor; Jennifer Tebaldi, Department of Health; Lonnie Johns-Brown, League of Women Voters and National Organization for Women; Nathan Weed, Washington State Public Health Association; Peter Browning, Washington State Association of Local Public Health Officials; and Paul Benz, Faith Action Network.

(Opposed) Lisa Thatcher, Washington State Hospital Association.

Persons Testifying (Health & Human Services Appropriations & Oversight): (In support) Representative Jinkins, prime sponsor; and Jennifer Tebaldi, Department of Health.

(Opposed) Lisa Thatcher, Washington State Hospital Association.

Persons Signed In To Testify But Not Testifying (Health Care & Wellness): None.

Persons Signed In To Testify But Not Testifying (Health & Human Services Appropriations & Oversight): None.