Statewide Trends in Hospital Community Benefits and Community Building using IRS Form 990, Schedule H

November 13, 2018

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OHS
CONNECTICUT
Office *of* Health Strategy

OHS: LEADING THE WAY TO AFFORDABLE, EQUITABLE & ACCESSIBLE HEALTHCARE

The Office of Health Strategy First Year Plan; July 1, 2018

- ***Community Benefit Allocation:*** OHS will continue to monitor the impact of hospital acquisitions and consolidations on communities and ensure that required community benefit allocations are aligned with community health priorities. Our work focuses attention on persistent health inequities and builds a viable and competitive health care market that is accountable for both health outcomes and containing healthcare costs.

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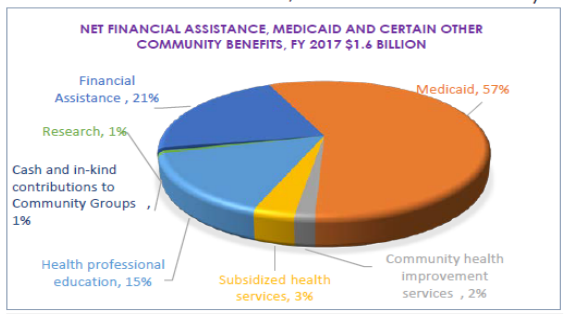
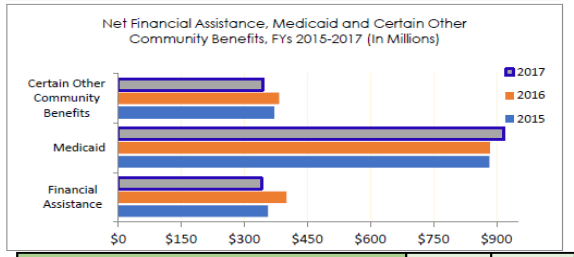
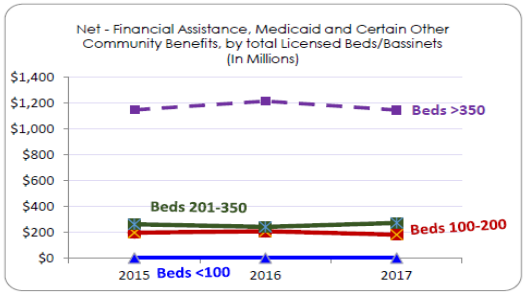
A Dashboard of Statewide Trends in Hospital Community Benefits and Community Building using IRS Form 990

Statewide Financial Assistance, Certain Other Community Benefits and Community Buidling Activities at Hospitals in Connecticut



Net - Financial Assistance, Medicaid and Certain Other Community Benefits [1] (In Millions)	FY2015	FY2016	FY2017	Perc Chg FY 15-17
1. Financial Assistance [2]	356	400	340	-5%
2. Medicaid	882	884	917	4%
3. Community health improvement services	32	29	27	-16%
4. Subsidized health services	74	67	56	-25%
5. Health professional education	240	262	239	0%
6. Research	13	10	9	-30%
7. Cash and in-kind contributions for community benefits	10	15	13	23%
Statewide	$ 1,609	$ 1,666	$ 1,601	0%





Net Community Building Activities [1] (In Thousands)	FY2015	FY2016	FY2017	Perc Chg FY15-17
1. Physical improvement and Housing	404	2259	525	30%
2. Economic development	583	463	351	-40%
3. Community support	2382	2840	2467	4%
4. Environment improvement	66	138	0	-100%
5. Leadership development	503	67	1	-100%
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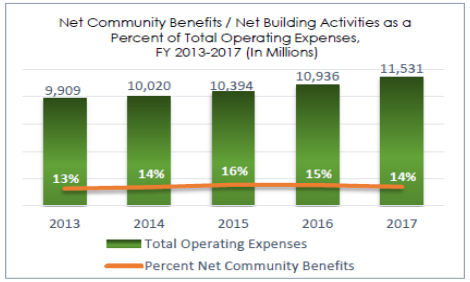
7. Community health improvement advocacy	1953	1619	149	-92%
8 Workforce development	532	374	217	-59%
9. Other community building activites	2753	2623	3527	28%
Statewide	$ 9,512	$ 10,806	$ 7,568	-20%



Source: Internal Revenue Service Form 990 (Schedule H), Hospital Fiscal Year 2017 and CT Office of Health Strategy Hospital Reporting System (HRS) filings for licensed beds/bassinets.

Data excludes John Dempsey Hospital (State Hospital) and four For-Profit hospitals - Waterbury, Manchester, Rockville and Sharon.

[1] The difference between Total Benefits and Net Benefits in the depicted information is Direct Offsetting Revenue directly related to the benefits.

[2] Financial Assistance = Financial Assistance at cost + Costs of other means-tested government programs

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Regarding the IRS Form 990, Schedule H:

- Like other federally tax-exempt organizations, Connecticut's privately owned, non-profit hospitals must file a Form 990 with the IRS (*A Return of Organization Exempt from Income Tax*).
- One schedule within the IRS Form 990 is Schedule H, which provides the IRS with information on hospitals' Financial Assistance and Certain Other Community Benefits, as well as other information, for the most recent Federal Fiscal Year.
- The Connecticut Office of Health Strategy is the current state agency directed by statute to annually collect a copy of the Form 990, including Schedule H, from the hospitals. The recently collected Form 990s were for the period 10/1/2016 – 9/30/2017, received in August 2018.
- Five Connecticut hospitals did not need to do the IRS form this past year: John Dempsey Hospital (State owned) and Waterbury, Manchester, Rockville and Sharon Hospitals (all structured as For-Profit during that year).

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Some terms used in following slides:

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			18,517,071.	4,429,186.	14,087,885.	2.12
b Medicaid (from Worksheet 3, column a)			113,763,525.	57,606,654.	56,156,871.	8.47
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			132,280,596.	62,035,840.	70,244,756.	10.59

Financial Assistance at Cost – generally Charity Care and includes free or discounted services in accordance with a hospital's financial assistance policy to persons who are unable to pay all or a portion of the services.

Medicaid – the difference between what the care costs and what is paid by Medicaid.

Cost of Other Means-Tested Government Programs - A government health program for which eligibility depends on the recipient's income or asset level (such as State Child Health Insurance Program {CHIP}).

Direct Offsetting Revenue - Revenue generated by the activity or program. Amounts used in these presentation slides use NET, not TOTAL, so amounts shown are after direct revenue is applied.

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Some terms used in following slides:

	Other Benefits						
e	Community health improvement services and community benefit operations (from Worksheet 4)	10	353392	147,613.	33,093.	114,520.	.02
f	Health professions education (from Worksheet 5)	4	54	19,932,379.	8,197,707.	11,734,672.	1.77
g	Subsidized health services (from Worksheet 6)	2	3017	5,059,449.	3,563,528.	1,495,921.	.23
h	Research (from Worksheet 7)	2	94	1,113,386.	613,887.	499,499.	.08
i	Cash and in-kind contributions for community benefit (from Worksheet 8)	1		1,856.	80.	1,776.	
j	Total. Other Benefits	19	356557	26,254,683.	12,408,295.	13,846,388.	2.10

Community Health Improvement Services and Community Benefit Operations - activities/programs for purpose of improving community health (perform/support CHNAs, administer community benefit programs, fund-raising/grant writing for CB programs, etc.). A Community need for the activity/program MUST be established.

Health Professions Education – Educational programs or continuing education. Doesn't include education/training exclusively for organization's employees and medical staff. Does include programs if primary purpose is to educate professionals in broader community

Subsidized Health Services – clinical services provided despite a financial loss. The service MUST meet an identified community need (also the service might be unavailable if hospital didn't provide it, etc.)

Research – study/investigation to generate increased generalizable knowledge.

Cash and In-kind Contributions for Community Benefit –Contributions made to other organizations/groups for community benefit activities. In-Kind contributions can include the cost of staff hours donated to the community.

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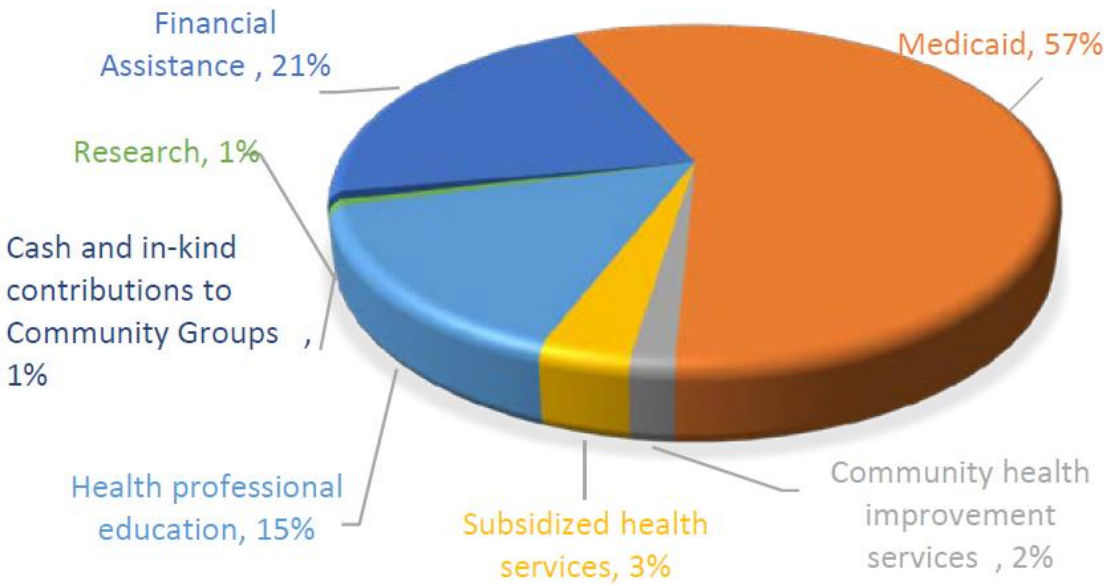
FY 2017 Net Financial Assistance, Medicaid and Certain Other Community Benefits, totals $1.6 Billion



- This Presentation uses NET Community Benefit Expenses, not TOTAL Community Benefit Expenses. The difference between Total and Net is "*Direct Offsetting Revenue*"
- The Financial Assistance amounts for this presentation include Cost of Other Means-Tested Government Programs

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3 - Year Trend by IRS Community Benefit Categories

Net - Financial Assistance, Medicaid and Certain Other Community Benefits [1] (In Millions)	FY2015	FY2016	FY2017	Perc Chg FY 15-17
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Statewide	$ 1,609	$ 1,666	$ 1,601	0%

Same Statewide results *without* Manchester, Rockville and Waterbury (these three hospitals changed to For-Profit status in FY2017)	**$1,547**	**$1,619**	**$ 1,601**	**4%**

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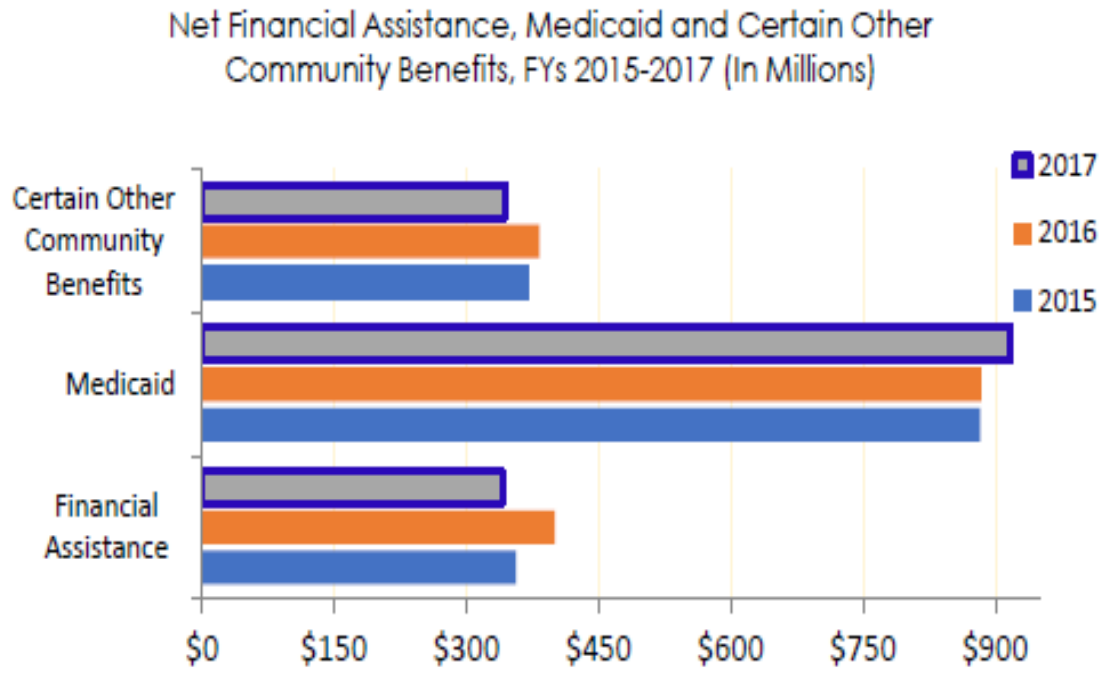
Trends from FY 2015 to FY 2017



The Certain Other Community Benefits figures are:

- Community Health Improvement Services;
- Health Professional Education
- Subsidized Health Services;
- Research
- Cash and In-Kind Contributions for Community Benefit

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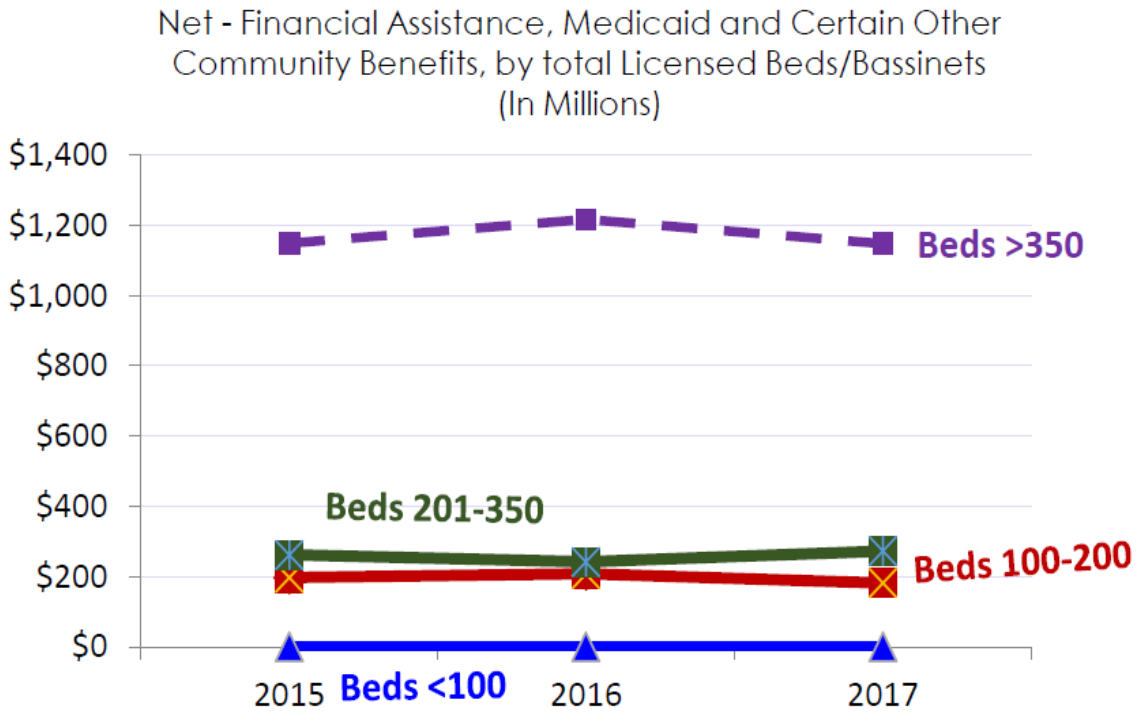
3 Year Trend by IRS Community Benefit Category



The 23 hospitals in these bed groups are:

- NINE with Over 350 Beds: Yale-NH, Hartford, St. Francis, St. Vincent's, Danbury, Hosp. of Central CT, Bridgeport, St. Mary's, Norwalk
- FIVE with 201-350 Beds: Stamford, L+M, Middlesex, Backus, Greenwich
- NINE with 100 – 200 Beds: CCMC, Griffin, MidState, Bristol, Windham, Hungerford, Day Kimball, Milford, Johnson
- In FY 2017, there were zero hospitals with licensed beds + bassinets under 100 (for IRS reporting hospitals)
- Note: 3 hospitals in FY15-FY16 figures not in FY17 (Three Prospect Medical hospitals)

Trends in Expenses for Net Community Building Activities

IRS groupings of Community Building Activities *generally* address Social Determinants of Health.
- **Line 1** includes the provision/rehabilitation of housing for vulnerable populations;
- **Line 2** includes assisting small business development in neighborhoods with vulnerable populations and creating new opportunities;
- **Line 3** includes child care/mentoring programs, violence prevention, disaster readiness activities;
- **Line 4** includes addressing environmental hazards affecting community health (such as water/air pollution);

Line 5 includes cultural/language skills, conflict resolution, interpreters skills, etc.;

Line 6 includes participation in coalitions and other collaborations to address health/safety;

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Line 7 includes supporting policies/programs to improve public health, access to services;

Line 8 includes recruitment of physicians/others to medical shortage areas, underserved areas.

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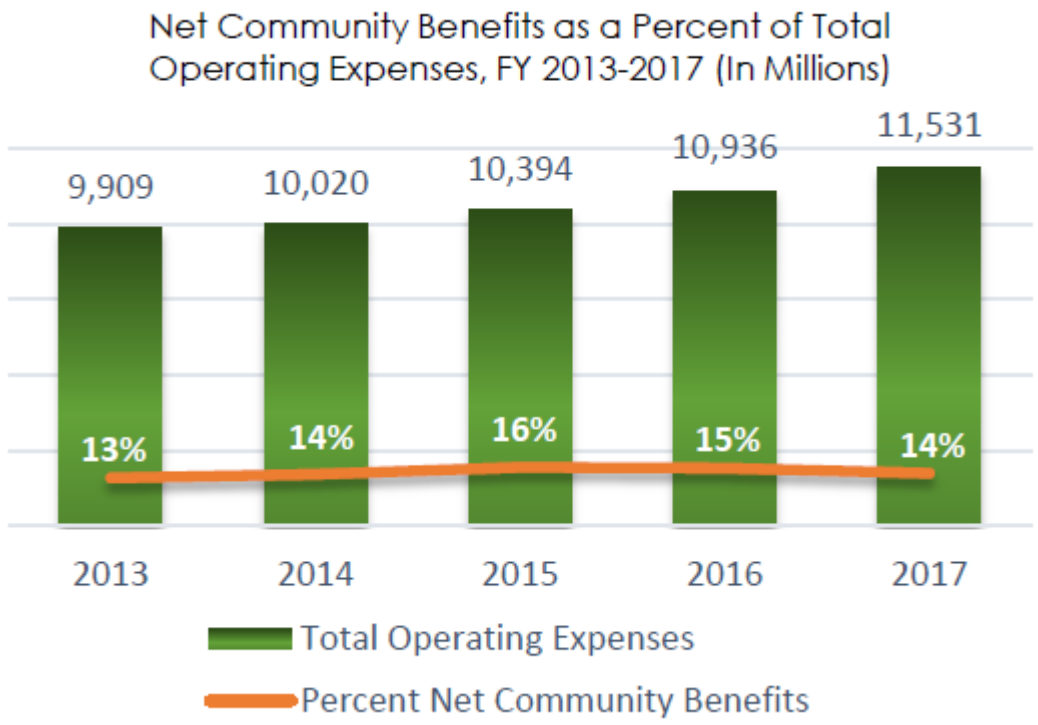
FY 2017 Net Financial Assistance, Medicaid and Certain Other Community Benefits, $1.6 Billion



- The "Percent Net Community Benefits" in this chart is the $1.6 billion for Net Financial Assistance, Medicaid and Certain Other Community Benefits combined with the $7.5 million for Net Community Building Activities. As shown on previous slides, the overwhelming figure in this calculation is the Medicaid shortfall (of $900 million in FY 2017)
- Over the last five years, non-profit hospitals in the state have been spending between 13% - 16% as a percentage of overall operating expenses on IRS categories related to Financial Assistance and Other Community Benefits

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Use of the Schedule H for CON purposes

- IRS 990, Schedule H has been used by the OHS Certificate of Need review team during CON reviews for hospital mergers/affiliation transactions.

- Since mid-2016, each hospital merger/affiliation agreed settlement has had specific conditions regarding community benefits with the aim of:
  - Increasing dollars toward Other Community Benefits and/or Community Building initiatives;
  - Improving the flow of Community Benefit/Community Building dollars toward areas that address health needs identified in a Community Health Needs Assessment or Implementation Strategy, that address population health management objectives and that address social determinants of health.

Most Recent CON Decisions Obligating Improvements in Community Benefits Dollars and Uses

Transfer of The Charlotte Hungerford Hospital to Hartford HealthCare Corporation

"TCHH and/or HHC shall maintain community benefit programs and community building activities for TCHH for three (3) years after the Closing Date consistent with TCHH's most recent Schedule H of IRS Form 990, or shall provide such other community benefit programs and community building activities that are at least as generous and benevolent to the community as TCHH's current programs. TCHH shall apply no less than a 1% increase per year for the next three (3) years toward the Hospital's community benefits and building activities in terms of dollars spent. In determining TCHH's participation and investment in both community benefits and community building activities, TCHH and/or HHC shall address the health needs identified by the applicable CHNA in effect at the time and the population health management objectives, including social determinants of health, contained in the related Implementation Strategy."

Transfer of Sharon Hospital to Vassar Health Connecticut, Inc., a subsidiary of Health Quest Systems, Inc.

"Health Quest shall support Vassar's development of community benefit programs and community building activities for the Hospital consistent with the scope of activities at Health Quest's other hospitals, including its support of the commitments in Conditions, 3, 5, 7, 9, and 11 of this Agreed Settlement. Vassar shall provide such community benefit programs and community building activities at a level that is at least as generous and benevolent to the community as the programs and activities currently in place at the Hospital. To assess the baseline level of these programs and activities, Vassar shall assemble the information required to complete Schedule H of the IRS Form 990 for the last completed fiscal year and shall provide this information to OHCA within ninety (90) days of the date of closing. . Vassar shall apply no less than a 1% increase per year for the next three (3) fiscal years toward the Hospital's community benefits and community building activities in terms of dollars spent. In determining the Hospital's participation and investment in both community benefits and community building activities, Vassar shall address the health needs identified by the applicable CHNA in effect at the time and the population health management objectives, including social determinants of health, contained in the related Implementation Strategy."

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Ongoing or Potential Community Benefit initiatives

- The Office of Health Strategy has had discussions with other New England states as part of a "*Hospital Community Benefits Workgroup*", a NESCSO (New England States Consortium Systems Organization) and Robert Woods Johnson supported initiative being coordinated by NASHP (National Academy for State Health Policy). The six New England states have been comparing processes, information and concerns about hospital community benefit data/information and how CBs are applied.
  - These discussions are ongoing but several documents published on the NASHP website have resulted from the workgroup's discussions during 2018:
    - **https://nashp.org/states-work-to-hold-hospitals-accountable-for-community-benefits-spending/**
    - **https://nashp.org/wp-content/uploads/2018/05/Hospital-community-benefits-chart-final-5_3_2018.pdf**
    - **https://nashp.org/wp-content/uploads/2018/10/Lawrence-Study.pdf**
- Another useful tool for looking at each hospital's easy to read community benefits information is by using the search engine at *Community Benefit Insight* website, sponsored by Robert Woods Johnson Foundation: http://www.communitybenefitinsight.org