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Hospital Community Benefit: Are Hospitals' Charitable Activities Aligned with Community Health Needs?

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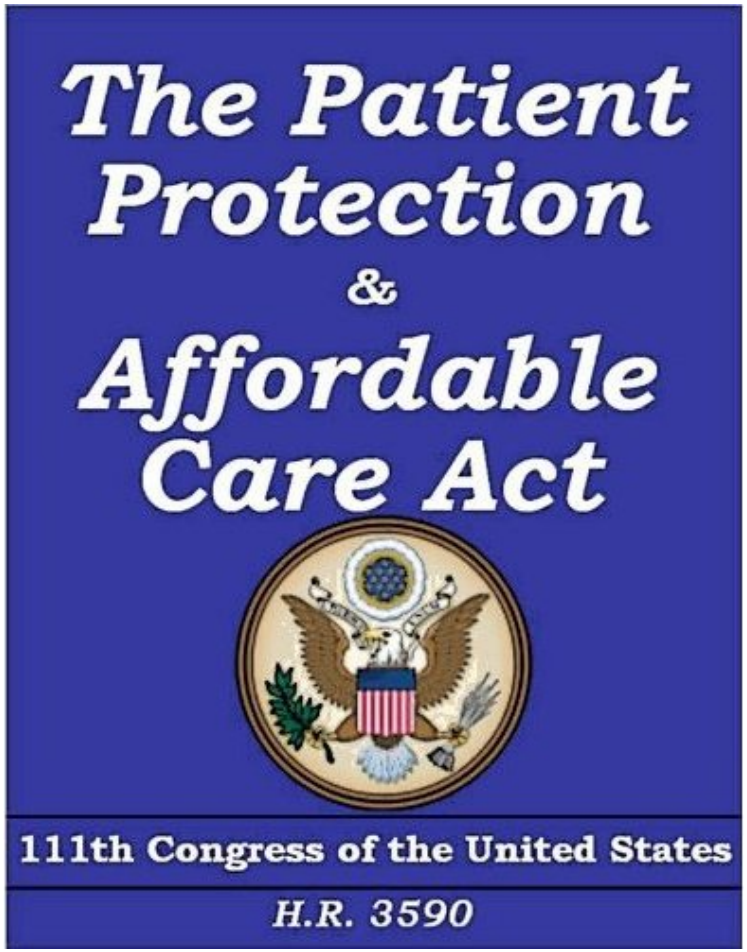
  - Gary Young, JD PhD, Northeastern University
  - Daniel Lee, PhD, University of Michigan
  - Paula Song, PhD, University of North Carolina
  - Jeff Alexander, PhD, University of Michigan

- Data for this study was made available by Gary Young. Research assistance was provided by Eli Raver at Northeastern University.

Context



- ACA requires tax-exempt hospitals to conduct community health needs assessments once every three years.
- Little is known about whether hospitals take into account community health needs when making decisions about their community benefit portfolios.

Prior Empirical Evidence

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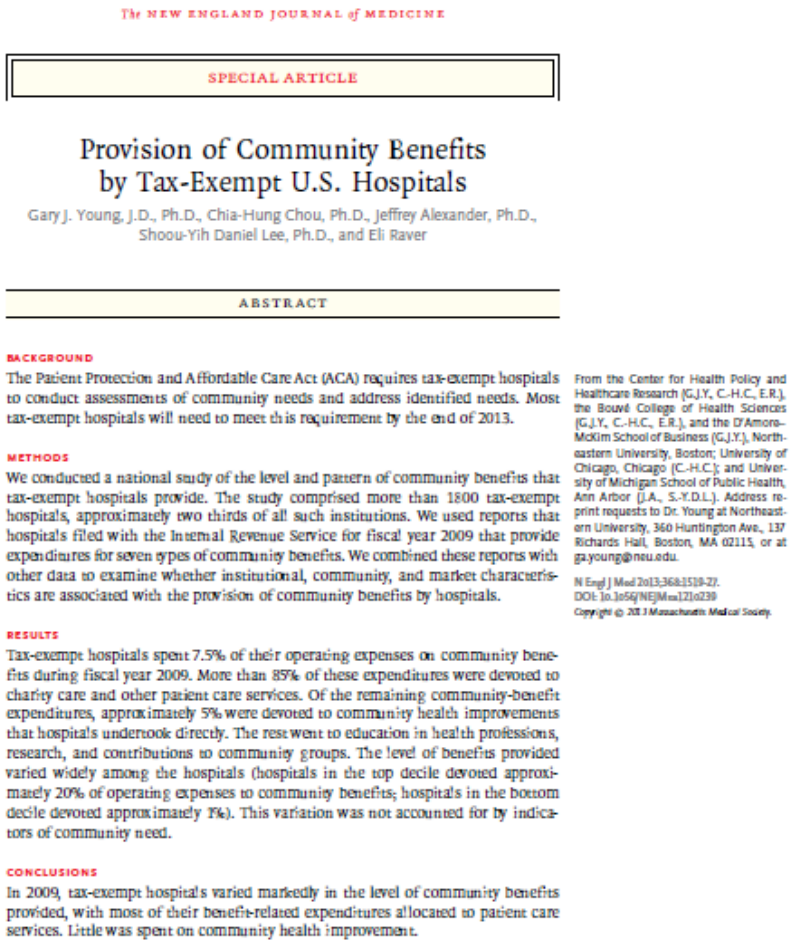
- To date, only one study has examined factors associated with community benefit spending using comparable data for hospitals in the US.

- This study found **no relationship** between need and community benefit.



The NEW ENGLAND JOURNAL of MEDICINE

SPECIAL ARTICLE

Provision of Community Benefits by Tax-Exempt U.S. Hospitals

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ABSTRACT

BACKGROUND

The Patient Protection and Affordable Care Act (ACA) requires tax-exempt hospitals to conduct assessments of community needs and address identified needs. Most tax-exempt hospitals will need to meet this requirement by the end of 2013.

METHODS

We conducted a national study of the level and pattern of community benefits that tax-exempt hospitals provide. The study comprised more than 1800 tax-exempt hospitals, approximately two thirds of all such institutions. We used reports that hospitals filed with the Internal Revenue Service for fiscal year 2009 that provide expenditures for seven types of community benefits. We combined these reports with other data to examine whether institutional, community, and market characteristics are associated with the provision of community benefits by hospitals.

RESULTS

Tax-exempt hospitals spent 7.5% of their operating expenses on community benefits during fiscal year 2009. More than 85% of these expenditures were devoted to charity care and other patient care services. Of the remaining community-benefit expenditures, approximately 5% were devoted to community health improvements that hospitals undertook directly. The rest went to education in health professions, research, and contributions to community groups. The level of benefits provided varied widely among the hospitals (hospitals in the top decile devoted approximately 20% of operating expenses to community benefits; hospitals in the bottom decile devoted approximately 1%). This variation was not accounted for by indicators of community need.

CONCLUSIONS

In 2009, tax-exempt hospitals varied markedly in the level of community benefits provided, with most of their benefit-related expenditures allocated to patient care services. Little was spent on community health improvement.

From the Center for Health Policy and Healthcare Research (G.J.Y., C.-H.C., E.R.), the Bouvé College of Health Sciences (G.J.Y., C.-H.C., E.R.), and the D'Amore-McKim School of Business (G.J.Y.), Northeastern University, Boston; University of Chicago, Chicago (C.-H.C.); and University of Michigan School of Public Health, Ann Arbor (J.A., S.-Y.D.L.). Address reprint requests to Dr. Young at Northeastern University, 360 Huntington Ave., 137 Richards Hall, Boston, MA 02115, or at gj.young@neu.edu.

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Research Aims

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Extend prior work by using a more comprehensive set of indicators to measure community health need

Address the following research questions:

1. What is the relationship between community need and hospitals' provision of community benefit?

2. Does this relationship differ for different components of hospitals' charitable activity?

Data and Sample

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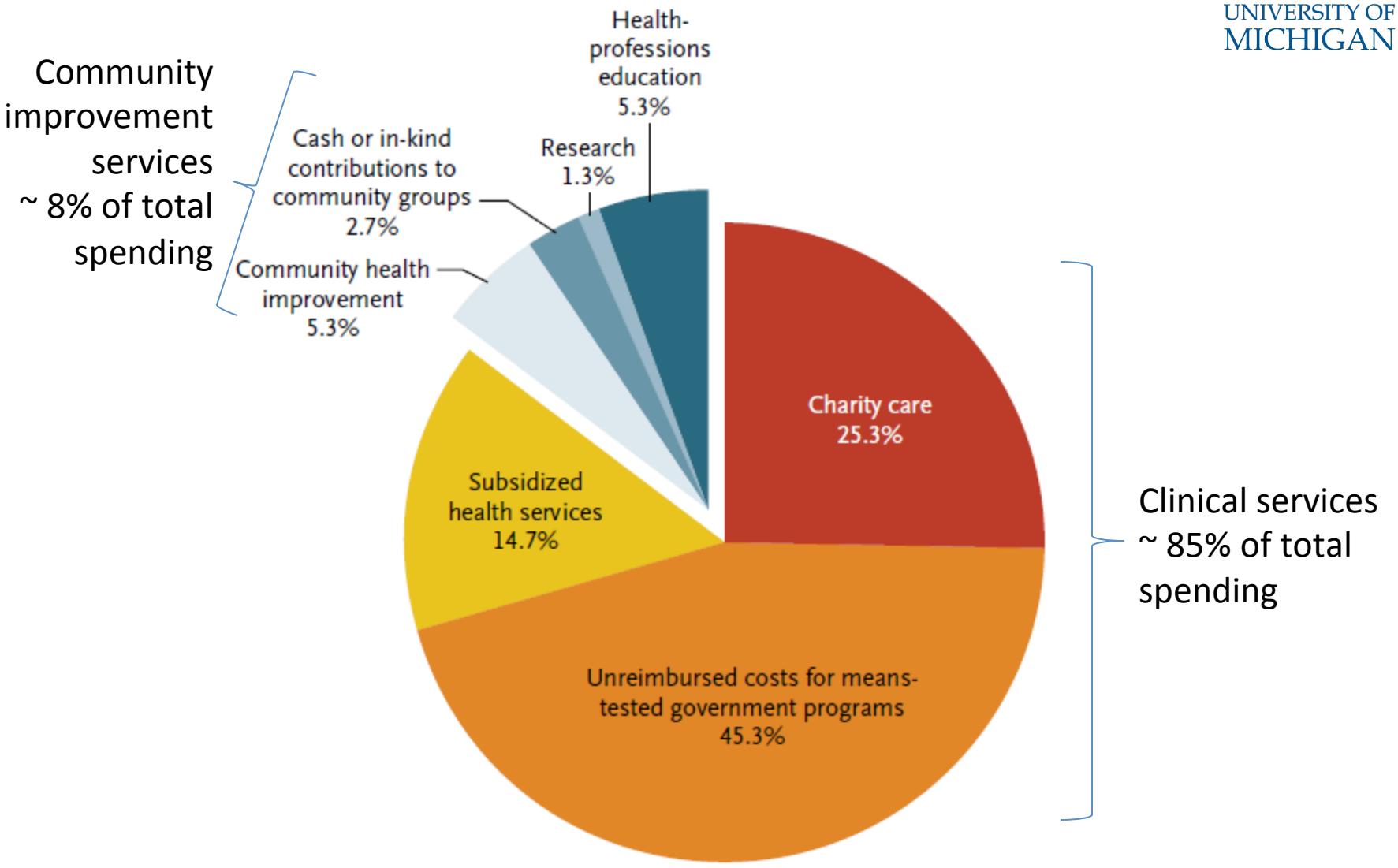
- Data for this study came from:
  - Hospitals' 2009 tax filings (IRS Form 990 Schedule H)
  - 2010 County Health Rankings
  - 2009 American Hospital Association's Annual Survey
  - 2009 Area Resource File

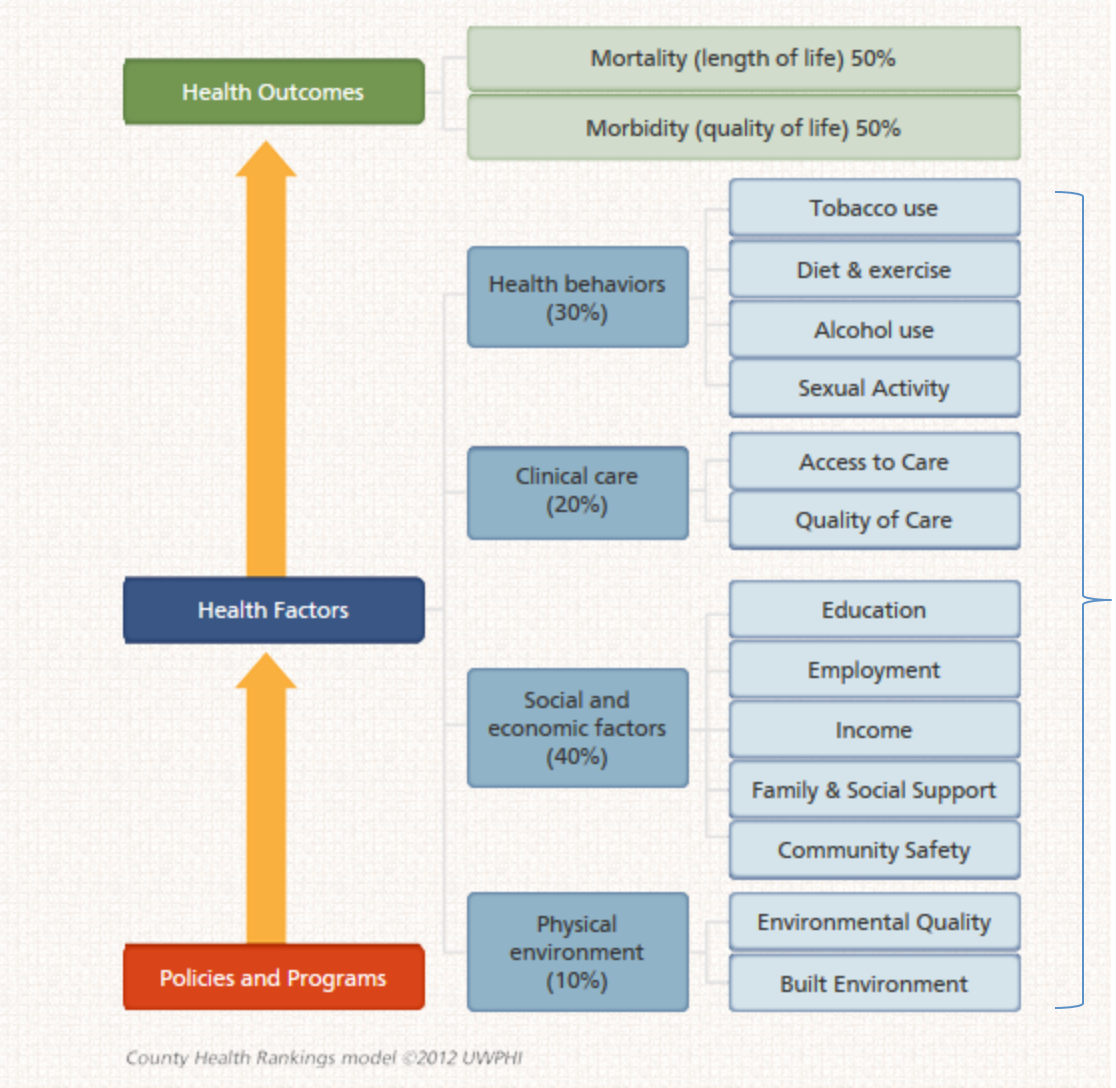
- Sample comprised 1,522 hospitals that reported community benefits at individual-hospital level.

Community Benefit Indicators



Source: Young et al. (2013). Provision of community benefit by tax-exempt U.S. hospitals.

Community Need Indicators

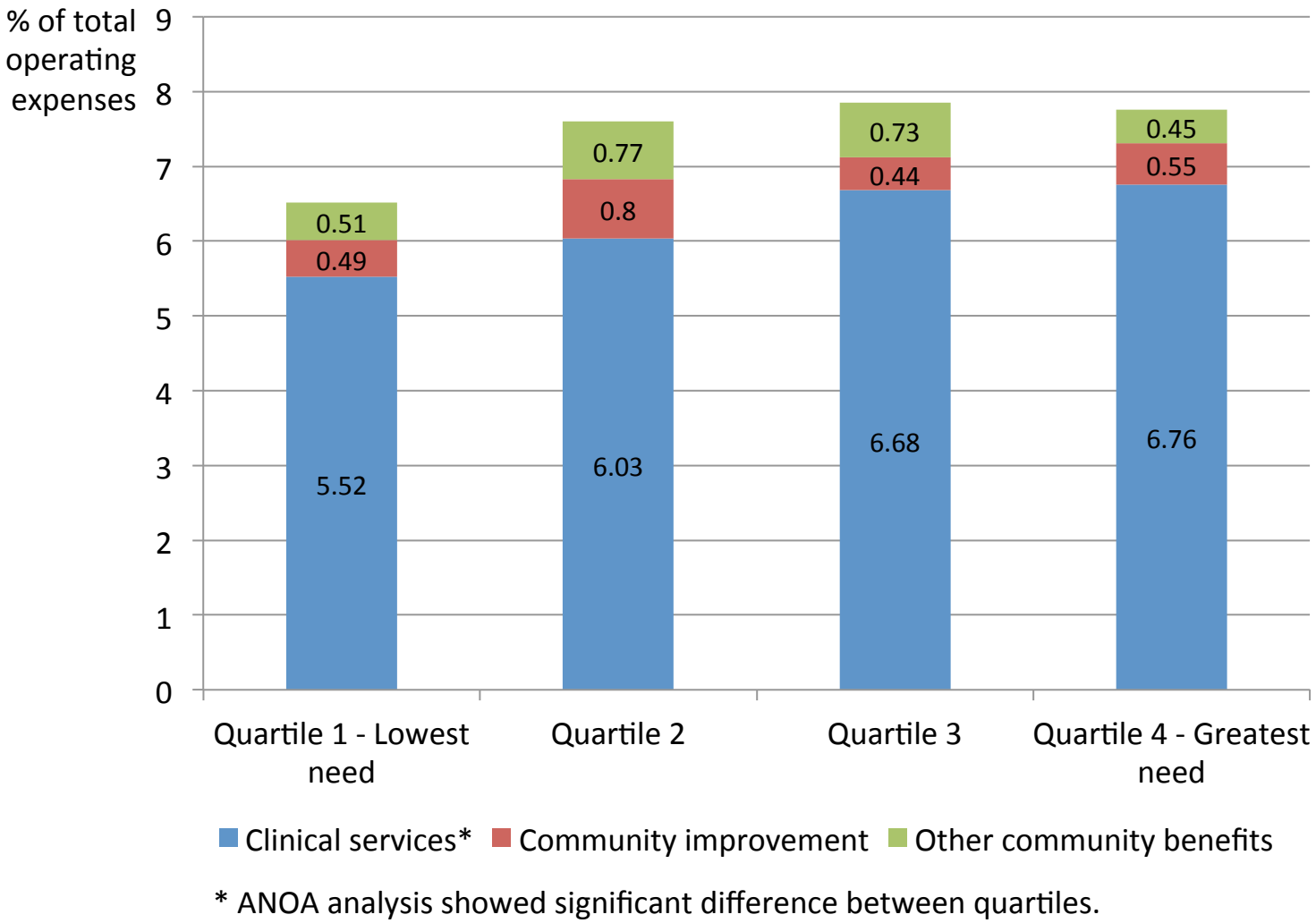


Using data from the 2010 County Health Rankings, we calculated:

- One global indicator of community need
- Four sub-indicators of community need – health behaviors, clinical care, SES factors, physical environment

Source: http://www.countyhealthrankings.org/our-approach

Community Benefit Expenditures, by Quartile of Community Need



* ANOA analysis showed significant difference between quartiles.

Multivariate Model

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Community benefits
= f (Community need, hospital and community characteristics)

Composite indicator

Four sub-indicators

- Cross-sectional analysis using GLM
- Separate regression models for:
  - Clinical services
  - Community improvement services
  - Total community benefits

Multivariate Findings

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	Clinical services	Community improvement services	Total community benefit
Model 1 (global indicator)			
Community health need	0.98** (0.30)	-0.26 (0.16)	0.67 (0.34)
Model 2 (four sub-indicators)			
Health behaviors	-0.80* (0.33)	0.055 (0.17)	-0.78* (0.38)
Medical care	0.40 (0.38)	-0.072 (0.19)	0.078 (0.43)
SES factors	1.15** (0.28)	-0.19 (0.14)	1.01** (0.31)
Physical environment	-0.18 (0.17)	-0.019 (0.087)	-0.13 (0.19)

Note: Standard errors are in parentheses. * indicates $p<0.05$; ** indicates $p<0.01$

Key Findings

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- We found some pattern between community need and hospitals' community benefit.

→ Hospitals located in communities with greater need provided more clinical services. Driver of this relationship were SES factors.

→ Provision of community improvement services was unrelated to community needs.

Implications for Policy and Practice

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- Findings raise concerns about role of hospitals in promoting population health

→ Opportunities may exist for hospitals to improve alignment between community benefit activities and need

- The ACA requirement that hospitals conduct periodic CNHAs may be a first step in improving the alignment
- CHNA may enable hospitals to refocus their charitable activities to address the most pressing needs
- IRS should monitor implementation of the CNHA requirement and evaluate impact on aligning hospital community benefits with need

Limitations

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- Study period comprised only one year (2009).
- Data was limited to amounts spent on community benefits; nothing is known about the specific programs that hospitals engaged in.
- Community was defined as the county a hospital was located in rather than the community served by a hospital.

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Thank You!

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