



## **Community Benefits: Protect Consumers and Strengthen Dialogue between Hospitals and Communities**

### **Why is this important?**

Many of our neighbors cannot access adequate health care, nor can they afford to pay for the care they need. Individuals and families are routinely forced to delay care, forgo needed medications, or risk their credit and homes in order to receive care. Though the passage of national health care reform represents a sea change, many of the fundamental changes it promises – including sweeping coverage expansions – will not be implemented overnight, nor will they extend to all U.S. residents. There are steps we can and must take to ensure that the millions of people without access to services or good coverage are not left behind. Promoting stronger standards for hospital community benefits programs offers one way to strengthen both consumer protections and relationships between hospitals and their communities.

### *What Are Hospital Community Benefits?*

Hospitals are integral to the social fabric of many communities, often prominent employers and powerful stakeholders in terms of shaping state and local policy. We need to keep them strong. They are a vital lifeline – in many cases, the only lifeline – to safety-net services such as free care. They are often key supporters of local initiatives such as health clinics, public health screenings and health education campaigns. Services like these are community benefits when they address community-identified health needs, particularly those of vulnerable or underserved community members, without reimbursement.<sup>1</sup>

The national health care reform legislation passed by the House and Senate sets new requirements for non-profit hospitals as a condition of federal tax-exempt status. These include:

- Conducting community needs assessments that incorporate community input and reporting the findings publicly
- Developing financial assistance policies with clearly stated eligibility criteria
- Notifying patients and the public that financial assistance is available
- Limiting what they charge patients who qualify for financial assistance
- Eliminating egregious billing and debt collection practices

In addition, this year IRS rules will require private tax-exempt hospitals to report unprecedented information about how they provide free care and community benefits.

## **Keys to success**

We must improve relationships between communities and health care institutions to smartly and effectively target our health care spending and protect vulnerable community members. One way to achieve both goals is to hold our health care institutions to a higher standard, one that requires them to engage the communities they serve in planning community benefits services and creating fair, transparent and just billing and debt collection practices. Each local community will have different needs, but basic benchmarks include:

### **Strong federal and state requirements and institutional commitments to community benefits**

National health reform takes important steps to set firm requirements for nonprofit hospitals, but it does not go far enough. The new requirements apply only to private tax-exempt hospitals, about 60 percent of the hospital market. Hospitals will still have tremendous discretion in determining who qualifies for free care. State laws range greatly in their requirements, and many hospitals have created their own policies with little or no oversight from state or federal regulators or input from their communities. Other hospitals, quite simply, are not pulling their weight. Federal regulators must monitor and enforce compliance with the new requirements. States need to build on federal legislation to adopt and enforce stronger community benefits frameworks. Local hospitals and trade associations should engage advocates and community members in community benefits planning, including discussions about adequately protecting consumers from unmanageable out-of-pocket costs.

### **Fair, clear and transparent standards on financial assistance, hospital billing and debt collection**

Federal law requires hospitals to treat patients with medical emergencies, but it does not prohibit hospitals from billing for the care provided or set limits on what they can charge. Absent strong government oversight, many hospitals that benefit from tax exemption or government funding overcharge uninsured or underinsured patients and use overly aggressive billing and collection practices. State and federal laws should be changed to make government funding, tax-exempt status and/or licensure contingent on fair, consumer-friendly billing and debt collection policies. And state and federal regulators should set and enforce minimum standards that prohibit egregious practices.

## **What can advocates do?**

### *Federal*

- Advocate for stronger consumer protections from medical debt
- Use IRS hospital data to build support for stronger federal community benefits standards and reporting requirements

### *State*

- Educate consumers about the new federal billing and debt collection protections – an early national health care reform “win” for consumers

- Educate state policymakers – attorneys general, legislators, public health officials, tax officials – about the need for stronger state community benefits requirements
- Engage hospitals, community groups and other stakeholders in broad conversations about the role of community benefits in a changing health care system

### *Local*

- Monitor hospital compliance with new and existing state or federal laws
- Identify and disseminate best practices on community benefits
- Work with hospitals to develop strong community needs assessment and health planning practices that regularly involve the community
- Organize and educate affected community members, collecting their stories to demonstrate the continued need for safety-net services and involving them in conversations with hospital leaders
- Build alliances with providers to push for stronger affordability standards and consumer protections to avoid uninsurance or underinsurance
- Raise community awareness of free or reduced-cost hospital services
- Gather data from the new IRS reporting requirements to establish a baseline for hospital performance and best practices on free care and community benefits

### **Resources**

For additional information, please visit the Community Catalyst website

[www.communitycatalyst.org/projects/hap/](http://www.communitycatalyst.org/projects/hap/)

- Health Care Community Benefits: A Compendium of State Laws
- Map It: Free Care Compendium (Interactive Map of State Laws)
- Hospital Free Care Web Tool (Interactive Build-A-Bill Tool)
- Community Benefits Model Act and Commentary
- Free Care Monitoring Project Guide and Toolkit
- Summary of Form 990, Schedule H Reforms
- Community Benefits: The Need for Action, an Opportunity for Healthcare Change (via The Access Project at <http://www.accessproject.org/publications.html>)

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<sup>i</sup> See Mark Schlesinger & Bradford Gray, *A Broader Vision for Managed Care, Part I: Measuring the Benefit to Communities*, Health Affairs (May/June 1998) at 153-154.