Bulletin No. 4098 July 2, 2012

To: Chief Executive Officers, Chief Financial Officers, Government Affairs, and Legal Counsel

NOTE: Please forward to: Community Benefits Directors/Managers

From: Chelene Whiteaker, Policy Director, Member Advocacy

Taya Briley, General Legal Counsel

Re: Community Health Needs Assessments: New State and Federal Requirements

COMMUNITY HEALTH NEEDS ASSESSMENT STATE LAW AND RESOURCES

The 2012 Washington State Legislature enacted House Bill 2341 placing new state requirements on hospitals completing Community Health Needs Assessments. The state law builds on a requirement contained in the Affordable Care Act for hospitals that seek to be recognized as 501(c)(3) organizations by the Internal Revenue Service (IRS). This bulletin contains information about the new state law, identifiesresources for conducting needs assessments, and includes highlights from the IRS requirements.

Background

During the 2012 state legislative session, many policy bills were aimed at setting minimum standards for community benefits in order for a hospital to maintain its tax exemptions. House Bill 2341 initially contained this type of provision, as well as significant new requirements that would be confusing and costly for hospitals to implement during a needs assessment process. The Washington State Hospital Association (WSHA) worked hard to ensure the final version of this bill did not contain burdensome requirements and was successful in removing the provisions relating to hospitals’ tax exemptions.

Opportunities for Collaboration

Community Health Needs Assessments present an opportunity to work with local organizations, public health, and other hospitals to identify community needs and to create and implement strategies to improve health. In an effort to reduce duplicative efforts, WSHA and the Association of Washington Public Hospital Districts strongly encourages hospitals to work collaboratively in their communities, especially if your hospital is situated in a county or a geographic region with other hospitals. WSHA is happy to help provide contacts within organizations. (See the federal Community Health Needs Assessment section in this bulletin for more information about the IRS requirement for hospitals to seek advice from local public health.)

House Bill 2341: New State Law

The new state law requires a hospital (nonprofit or public hospital district) recognized by the IRS as a 501(c)(3) organization to:

As of January 1, 2013, make its federally required Community Health Needs Assessment widely available to the public within 15 days of submission to the IRS.

Make public a description of the community served by the hospital, including both a geographic description and a description of the general population served by the hospital; and demographic information such as leading causes of death, levels of chronic illness, and descriptions of the medically underserved, low-income, and minority, or chronically ill populations in the community.

Make widely available to the public a community benefit implementation strategy within one year of completing its needs assessment.

In developing the implementation strategy, hospitals shall consult with community-based organizations and stakeholders, local public health jurisdictions, and any additional consultations the hospital decides to undertake. Unless contained in the implementation strategy, the hospital must provide a brief explanation for not accepting recommendations for community benefit proposals identified in the needs assessment through the stakeholder consultation process, such as excessive expense to implement or infeasibility of the proposal.

Implementation strategies must be evidence-based, when available; or development and implementation of innovative programs and practices should be supported by evaluation measures.

The term "widely available to the public" has the same meaning in state law as the IRS guidelines.

FEDERAL COMMUNITY HEALTH NEEDS ASSESSMENTS

The Affordable Care Act requires hospitals that seek to be recognized as 501(c)(3) organizations to complete a needs assessment and develop an implementation strategy once every three years. To assist hospitals with implementation, the United States Treasury and the IRS have issued the following:

IRS Proposed Guidance. According to the IRS, a hospital organization may rely on the regulatory provisions described in this notice with respect to any needs assessment made widely available to the public, and any implementation strategy adopted, on or before the date that is six months after the date further guidance regarding the needs assessment requirements is issued.

This bulletin is not meant to cover all of the IRS requirements. WSHA strongly encourages hospitals to seek legal and tax guidance related to conducting a needs assessment and developing an implementation strategy.

Highlights from the IRS Proposed Guidance for needs assessments include:

Effective Date. The needs assessment requirements are effective for taxable years beginning after March 23, 2012:

The United States Treasury and the IRS, “intend to require a hospital organization to conduct a needs assessment and adopt an implementation strategy for each of its hospital facilities by the last day of its first taxable year beginning after March 23, 2012.” For example, if a hospital has not completed a needs assessment in 2011 or 2012 and its taxable year ends on December 31, 2012, the assessment should be completed by December 31, 2013.

Multiple Hospitals. If a hospital operates more than one hospital facility, 501(r)(2)(B)(i) requires the organization to meet all of the section 501(r)(i) requirements including the needs assessment requirements separately with respect to each hospital facility.

Broad Interests of the Community. The needs assessment must take into account advice from persons with broad interest of the community serviced by the hospital, including those with special knowledge or expertise in public health. According to the Proposed Guidance, “The Treasury and the IRS intend to provide that an assessment must, at a minimum, take into account advice from: (1) persons with special knowledge or expertise in public health; (2) Federal, tribal, regional, State or local health or other departments or agencies, with current data or other information relevant to the health needs of the community served by the hospital facility; and (3) leaders, representatives, or members of the medically underserved, low-income, and minority populations, and populations with chronic disease needs, in the community served by the hospital facility.”

RESOURCES FOR HOSPITALS

WSHA created a Community Health Needs Assessment website to help inform hospitals about local and national resources. This website contains a rural example of a needs assessment from Klickitat County. A special thanks to the Association for Washington Public Hospital Districts, Klickitat Valley Health, and Skyline Hospital for sharing their needs assessment. Additionally, WSHA thanks the Washington State Department of Health and Public Health Seattle and King County for their work in identifying resources.

QUESTIONS

For questions, please contact Chelene Whiteaker at chelenew@wsha.org or 206-216-2545.