

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 774

(Senator Kelley)

Finance

Health and Government Operations

Health Services Cost Review Commission – Community Benefits – Reporting

This bill repeals current requirements for nonprofit hospitals regarding community benefit reporting and likewise repeals the requirement for the Health Services Cost Review Commission (HSCRC) to compile those reports into a specified annual report. Instead, HSCRC must establish a Community Benefit Reporting Workgroup and adopt regulations recommended by the workgroup governing community health benefit reporting. HSCRC must establish a method through which State and local governing bodies are made aware of workgroup meetings. By December 1, 2020, HSCRC must submit a specified report and a copy of the annual Nonprofit Hospital Community Health Benefit Report to the House Health and Government Operations Committee and the Senate Finance Committee. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: The bill’s requirements can be handled with existing budgeted resources. Revenues are not affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: “Community benefit” means a planned, organized, and measured activity that is intended to meet identified community health needs within a service area. “Community benefit” may include (1) a community health service; (2) health professional education; (3) research; (4) a financial contribution; (5) a community-building activity,

including partnerships with community-based organizations; (6) charity care; (7) an activity funded by a foundation; (8) a mission-driven health service; (9) an operation related to a community benefit; and (10) financial or in-kind support of the Maryland Behavioral Health Crisis Response System.

The bill modifies the definition of “community needs assessment” to be “community *health* needs assessment” (CHNA), which means the process required by the federal Patient Protection and Affordable Care Act by which unmet community health care needs and priorities are identified by a nonprofit hospital in accordance with § 501(r)(3) of the Internal Revenue Code.

The Community Benefit Reporting Workgroup must be composed of individuals and stakeholder groups that have knowledge of and are impacted by hospital community benefit spending. HSCRC must adopt regulations to implement the recommendations of the workgroup that (1) establish a standard format for required reporting on community benefits; (2) specify the date by which each nonprofit hospital is required to submit the annual community benefit report; (3) require each nonprofit hospital to solicit and take into account input received from individuals who represent the interests of the community; and (4) require each nonprofit hospital to conduct its CHNA in consultation with community members and submit an annual community benefits report to HSCRC detailing community benefits provided by the hospital during the preceding year, as specified.

CHNAs must include several of the same items as under current law, specifically, the hospital’s mission statement, a list of activities undertaken to address identified community health needs and the associated costs to the hospital, a description of the efforts to evaluate the effectiveness of each activity, and a description of the efforts to track and reduce health disparities in the community.

In addition to the items currently required, the report must include a description of how each of the activities undertaken by the hospital addresses the community health needs of the hospital’s community, a description of gaps in the availability of *providers* (rather than only specialist providers under current law) to serve the community (rather than the uninsured under current law), a list of the unmet community health needs identified in the most recent CHNA (which is included in HSCRC’s annual community report under current law), and a list of tax exemptions the hospital claimed during the immediately preceding taxable year.

HSCRC Reporting Requirement

By December 1, 2020, HSCRC must compile a report on the steps taken to update the community benefit reporting process that includes (1) a description of each hospital’s process for a soliciting input in the development of the CHNA for the purpose of § 501(r)(3)

of the Internal Revenue Code and (2) recommendations for MDH and the local health departments to assess the effectiveness of hospitals' community benefit spending to address the community health needs.

Current Law: "Community needs assessment" means the process by which unmet community health care needs and priorities are identified.

In identifying community health care needs, a nonprofit hospital (1) must consider the most recent community needs assessment developed by MDH or the local health department; (2) may consult with community leaders and local health care providers; and (3) may consult with any appropriate person that can assist the hospital in identifying community health needs.

Each nonprofit hospital must submit an annual community benefit report to HSCRC detailing the community benefits provided by the hospital during the preceding year. The community benefit report must include:

- the mission statement of the hospital;
- a list of the initiatives that were undertaken by the hospital;
- the cost to the hospital of each community benefit initiative;
- the objectives of each community benefit initiative;
- a description of efforts taken to evaluate the effectiveness of each community benefit initiative;
- a description of gaps in the availability of specialist providers to serve the uninsured in the hospital; and
- a description of the hospital's efforts to track and reduce health disparities in the community that the hospital serves.

HSCRC must compile the reports required and issue an annual Nonprofit Hospital Community Health Benefit Report. The report must contain a list of the unmet community health care needs identified in the most recent community needs assessment prepared by MDH or the local health department for each county. The report must be made available to the public free of charge. HSCRC must submit a copy of the report to the House Health and Government Operations Committee and the Senate Finance Committee.

HSCRC must adopt regulations, in consultation with representatives of nonprofit hospitals that establish (1) a standard format for reporting the required information; (2) the date on which nonprofit hospitals must submit the annual community benefit reports; and (3) the period of time that the annual community benefit report must cover.

Background: [Section 501\(r\)\(3\)](#) of the Internal Revenue Code requires charitable hospital organizations to compile a CHNA. In addition to the general requirements for tax exemption as a 501(c)(3) organization, hospital organizations must meet CHNA requirements on a facility-by-facility basis in order to be treated as nonprofit organizations.

Section 501(r)(3)(A) requires a hospital organization to conduct a CHNA every three years and adopt an implementation strategy to meet the community health needs identified through the CHNA. Section 501(r)(3)(B) provides that a CHNA must take into account input from people who represent the broad interests of the community, including those with special knowledge in public health, and be made widely available to the public.

A hospital meets the requirements of Section 501(r)(3) with respect to a hospital facility if the facility has conducted a CHNA in the taxable year or two immediately preceding years and an authorized body of the hospital facility has adopted an implementation strategy to meet the community health needs identified through the CHNA by a certain date.

All 46 hospitals in the State are nonprofit organizations subject to the CHNA requirements.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1169 (Delegate Barron, *et al.*) - Health and Government Operations.

Information Source(s): Maryland Department of Health; Department of Legislative Services

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