

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

ACTION ITEM – CONSENT

For Meeting of October 19, 2022

**COMMUNITY HEALTH NEEDS ASSESSMENTS AND IMPLEMENTATION PLANS,
UC HEALTH**

EXECUTIVE SUMMARY

The Affordable Care Act added requirements to Section 501(r) of the Internal Revenue Code for all tax-exempt hospital organizations, including those that are government hospital organizations.¹ In addition to meeting the requirements for tax exemption under Section 501(c)(3) and regulations and other rulings published by the Internal Revenue Service (IRS), hospital organizations must, on a hospital facility-by-facility basis:

- Conduct, at least once every three taxable years, a Community Health Needs Assessment (CHNA) which takes into account input from persons who represent the broad interests of the community served by the hospital facility and is made widely available to the public, and adopt an implementation strategy to address the needs identified through the assessment;
- Establish a financial assistance policy for all emergency and other medically necessary care;
- Limit the amount charged for any emergency or other medically necessary care the hospital provides to a patient who is eligible for financial assistance under the hospital's policy to not more than the "amount generally billed" (as that term is defined in IRS regulations) to individuals who have insurance;
- Make reasonable efforts to determine whether an individual is eligible for financial assistance and following specified procedures before engaging in any "extraordinary collection actions," such as reporting adverse information to a credit reporting agency, placing a lien on an individual's property, or garnishing an individual's wages, as further specified in IRS regulations, to collect any debt owed by that individual.²

¹ 26 U.S.C. § 501(r); Internal Revenue Service, Section 501(r) Reporting, <https://www.irs.gov/charities-non-profits/section-501r-reporting> (last visited Sept. 15, 2022).

² In addition to these federal requirements, since at least 2007, California State laws also have required each general acute care hospital, as a condition of licensure, to maintain written policies for charity care and discounted payments for financially qualified patients and for debt collection practices; see California Health & Safety Code §§ 127400-127446.

The UC hospitals located on the Davis, San Francisco, Los Angeles, Irvine, and San Diego campuses recently completed CHNAs for 2022 and each have developed an implementation strategy to address the significant health needs identified in the CHNA, either by themselves or in collaboration with other healthcare or community organizations.

RECOMMENDATION

The President recommends that the Health Services Committee recommend that the Regents approve the implementation strategy developed by each of the University of California hospitals to address the significant health needs identified in their respective Community Health Needs Assessments for the taxable year ending June 30, 2022.

BACKGROUND

In order to maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and meet the requirements set forth in Section 501(r)(3) of the Internal Revenue Code, a hospital organization must, with respect to each licensed facility that the organization operates, have such hospital facility conduct a Community Health Needs Assessment (CHNA) at least once every three taxable years.³ An authorized body of the hospital facility must adopt an implementation strategy to meet the community health needs identified through the CHNA on or before the 15th day of the fifth month after the end of the taxable year (i.e., by November 15 for taxable years ending June 30).⁴

Community Health Needs Assessment

To conduct a CHNA, a hospital facility must define the community it serves, taking into account factors such as the geographic area, target populations served (such as children), and the principal functions served by the facility (such as specific specialties), and then assess the health needs of that community.⁵ The hospital facility must identify the significant health needs in the community, prioritize those needs, and identify potential measures and resources available in the community to address those needs. Significant health needs can include not only the need to address financial and other barriers to health care, but also the need to prevent illness, ensure adequate nutrition, or to address social, behavioral and environmental factors that affect health in the community. The hospital facility must solicit input and take into account input received from persons who represent broad interests of the community served by the hospital facility, including at least one government public health agency, members of medically underserved, low-income, and minority populations in the community served by the hospital facility, and any written comments received on the facility's most recently conducted CHNA and most recently adopted implementation strategy. A hospital facility is permitted to conduct its CHNA in collaboration

³ 26 U.S.C. § 501(r)(3). For purposes of Section 501(r), a hospital facility means a facility that is required by a State to be licensed, registered, or similarly recognized as a hospital. Multiple buildings operated under a single State license are considered to be a single hospital facility. 26 C.F.R. § 1.501(r)-1(b)(17).

⁴ 26 C.F.R. § 1.501(r)-3(a).

⁵ 26 C.F.R. § 1.501(r)-3(b).

with other hospitals, organizations, for-profit and government hospitals, and public health or similar State and local government departments, but each hospital facility must adopt a separate written CHNA report or a joint CHNA report that meets certain standards specified in the IRS regulations.

The written CHNA report must be adopted for the hospital facility by an authorized body of the hospital facility,⁶ and must be made widely available to the public, which includes posting the CHNA on the hospital facility's website and a making paper copies available upon request at the facility and without charge.

Community Health Needs Assessment Websites

- [Community Engagement at UC Davis Health Medical Center](#)
- [Community Health at UC Irvine Medical Center](#)
- [Office of Community at UCLA Health](#)
- [Community Engagement at UC San Diego Health Medical Center](#)
- [Community Health Needs Assessment for UCSF Health](#)
- [Center for Child and Community Health for UCSF Benioff Children's Hospital Oakland](#)

Implementation Strategy

In addition to the CHNA report, the authorized body of each hospital facility must also adopt an implementation strategy for the facility that is a written plan to meet the significant health needs identified through the CHNA.⁷ The implementation strategy must describe the actions the hospital facility intends to take to address the health need and the anticipated impact of these actions, identify the resources the hospital facility plans to commit to address the health need and describe any planned collaboration between the hospital facility and other facilities or organizations in addressing the health need. The implementation strategy also may describe why a hospital facility does not intend to address a significant health need, but must include an explanation for the reason, such as resource constraints or the fact that other facilities or organizations in the community are addressing the need.

IRS Enforcement and Consequences of Non-Compliance

A hospital organization that does not meet one or a combination of any of the CHNA requirements with respect to one or more of the hospital facilities that it operates is subject to \$50,000 excise tax.⁸ However, a minor error or omission that is either inadvertent or due to a reasonable cause and is promptly corrected by the hospital facility after discovery will not give

⁶ An "authorized body" of the hospital facility means the governing body (that is, the board of directors or equivalent) of the hospital organization that operates the facility, a committee of the governing body, or another party authorized by the governing body to the extent such other party is permitted under state law to act on behalf of the governing body. 26 C.F.R. § 1.501(r)-1(b)(4).

⁷ 26 C.F.R. § 1.501(r)-3(c).

⁸ 26 C.F.R. § 53.4959—1.

rise to an excise tax.⁹ The hospital facility's correction of the error must include establishment, or review and if necessary, revision, of practices or procedures that are reasonably designed to promote and facilitate overall compliance with the requirements of Section 501(r). Failure to meet one or more of the Section 501(r) requirements with respect to any hospital facility may result in the taxation of a non-compliant facility's income during the year of non-compliance, or even the loss of the organization's tax-exempt status under Section 501(c)(3).¹⁰

The IRS monitors hospital compliance with the Section 501(r) requirements through a combination of reviewing hospital Forms 990 and Schedule H (required for private tax-exempt hospital organizations),¹¹ hospital websites, and other information, requesting additional information from hospitals that appear to be at risk for non-compliance through "Compliance Check Information Requests," and audits. Senator Chuck Grassley (R- IA) has repeatedly pressed the IRS on the status of its enforcement efforts with respect to the 501(r) requirements. For example, in February 2019, Senator Grassley sent a letter to the IRS Commissioner requesting data related to the number of IRS reviews of compliance with 501(r) requirements and the results of those reviews since April 2018 (the date the IRS had previously reported to him on these issues).¹² The IRS Commissioner responded that from February 24, 2018 through February 22, 2019, the IRS had completed 832 reviews of tax-exempt hospitals for compliance with Section 501(r) requirements, and of those reviews, 625 were closed without further action, 129 were referred for a compliance check, and 78 were referred for examination (audit). The IRS Commissioner reported that 57 of the audits remain open.¹³

Notably, the IRS has revoked the Section 501(c)(3) tax-exempt status of at least two "dual status" hospital organizations. These are hospital organizations that are both a governmental unit or an affiliate of a governmental unit and are tax-exempt under Section 501(c)(3). These revocation actions by the IRS were based in part on the hospitals' failure to comply with the Section 501(r) requirements.¹⁴ The IRS report on its federal fiscal year 2021 activities and accomplishments stated that the IRS reviewed approximately 3,000 tax-exempt hospitals (on a rolling three-year basis) for compliance with the Section 501(r) requirements. In fiscal year 2021, the IRS completed 1,019 reviews and referred 71 hospitals for examination for possible non-compliance. The most common issues identified related to a hospital's lack of a Community Health Needs Assessment and deficiencies in the hospital's financial assistance policies.

⁹ 26 C.F.R. § 1.501(r)—2(b).

¹⁰ 26 C.F.R. § 1.501(r)—2(a),(d).

¹¹ Government hospital organizations are not required to file a Form 990 (including Schedule H), but still must meet all of the Section 501(r) requirements that do not involve disclosure on or with the Form 990. See IRS, Section 501(r) Reporting, <https://www.irs.gov/charities-non-profits/section-501r-reporting> (last visited Sept. 15, 2022).

¹² Letter from Sen. Chuck Grassley to IRS Commissioner Charles Rettig (Feb. 19, 2019), available at <https://www.grassley.senate.gov/news/news-releases/grassley-renews-probe-non-profit-tax-exempt-hospitals>

¹³ Baird Holm, Senator Grassley Requests an Update on 501(r) Compliance Efforts (Aug. 1, 2019), <https://www.bairdholm.com/publications-feed/entry/senator-grassley-requests-update-on-501-r-compliance-efforts.html> (last visited Aug. 20, 2019).

¹⁴ IRS Final Adverse Determination Letter (Feb. 14, 2017), available at <https://www.irs.gov/pub/irs-wd/201731014.pdf>; IRS Final Adverse Determination Letter (Apr. 20, 2018), available at <https://www.irs.gov/pub/irs-wd/201829017.pdf>.

UC Medical Centers Community Health Needs Assessments and Implementation Strategies

The hospital facilities operated by The Regents, including the Children’s Hospital and Research Center at Oakland, a separate non-profit corporation that is tax-exempt under Section 501(c)(3) and whose sole member is The Regents,¹⁵ recently completed CHNAs for the taxable year ending June 30, 2022. *See Attachments 2-10.* The UC hospitals have also developed implementation strategies to address the significant health needs identified in their respective CHNAs. *See Attachments 11-18.*

The results of the recently completed CHNAs and the UC hospitals’ implementation strategies to address the significant health needs identified in their respective CHNAs, including the UC hospitals’ objectives and the programs, initiatives or other resources intended to address the identified needs, any planned collaborations between UC hospitals and other community and health organizations to address the identified needs, and the anticipated impact on the identified needs, are shown in the attachments.

[Attachment 1: University of California Health 2022 Triennial Community Health Needs Assessment Implementation Strategy Summaries](#)

Attachments 2 – 10: Community Health Needs Assessment Documents

Attachments 11 – 18: 2022 Community Health Needs Assessment Implementation Strategies for UC Hospitals and Children’s Hospital and Research Center at Oakland

¹⁵ Private non-profit hospitals are also required under State law (SB 697 1994) to provide an annual report to the Department of Health Care Access and Information (formerly the Office of Statewide Health Planning and Development) that must include, among other things, a description of the activities the hospital has undertaken within its mission and financial capacity to address identified community needs, as well as a description of the process for involving community groups and local government officials in helping to identify and prioritize the community needs to be addressed. *See* HCAI, Hospital Community Benefit Plans, <https://hcai.ca.gov/data-and-reports/cost-transparency/hospital-community-benefit-plans/> (last visited Sept. 15, 2022). AB 1204 (Chapter 751, Statutes of 2021), enacted in 2021, requires HCAI to develop and implement an annual hospital equity report. All hospitals, including public hospitals, will be required to submit their first annual equity report by September 30, 2025. *See* HCAI, Hospital Equity Measures Reporting Program, <https://hcai.ca.gov/data-and-reports/healthcare-quality/hospital-equity-measures-reporting-program/#:~:text=Contact-Overview,and%20post%20hospital%20equity%20reports> (last visited Sept. 15, 2022).

ATTACHMENTS 2 – 10

UC Hospitals' Community Health Needs Assessments

[Attachment 2. UC Davis Health 2022 Community Health Needs Assessment](#)

[Attachment 3. UC Davis Health 2022 Community Health Needs Assessment Technical Section](#)

[Attachment 4. UCI Medical Center Community Health Needs Assessment](#)

[Attachment 5. Ronald Reagan UCLA Medical Center Community Health Needs Assessment 2022](#)

[Attachment 6. UCLA Santa Monica Medical Center Community Health Needs Assessment 2022](#)

[Attachment 7. Resnick Neuropsychiatric Hospital at UCLA Community Health Needs Assessment 2022](#)

[Attachment 8. UC San Diego Health 2022 Community Health Needs Assessment](#)

[Attachment 9. 2022 San Francisco Community Health Needs Assessment](#)

[Attachment 10. UCSF Benioff Children's Hospital Oakland Community Health Needs Assessment 2022](#)

ATTACHMENTS 11 - 18

UC Hospitals' Community Health Needs Assessments Implementation Strategies

[Attachment 11. UC Davis Health 2022 Community Health Needs Assessment Implementation Strategy](#)

[Attachment 12. 2023–2025 UCI Medical Center Implementation Strategy](#)

[Attachment 13. Ronald Reagan UCLA Medical Center Implementation Strategy FY2023 - FY2025](#)

[Attachment 14. UCLA Santa Monica Medical Center Implementation Strategy FY2023 - FY2025](#)

[Attachment 15. Resnick Neuropsychiatric Hospital at UCLA Implementation Strategy FY2023 - FY2025](#)

[Attachment 16. UC San Diego Health 2022 Implementation Strategy](#)

[Attachment 17. San Francisco 2022 Community Health Needs Assessment Implementation Strategy](#)

[Attachment 18. UCSF Benioff Children's Hospital Oakland Community Benefit Implementation Plan 2022-2024](#)