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DATA BRIEF

COMMUNITY BENEFIT INVESTMENTS BY NEW YORK STATE HOSPITALS, 2012

Erik Bakken, MPA and Kerry Griffin, MPA

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Contents

Abstract

This report builds upon earlier analysis[1] commissioned by The New York Academy of Medicine to track New York State non-profit hospitals' community benefit and community building investments. In 2010, these hospitals spent $4.42 billion on community benefit activities. Community benefit expenditures in New York State increased over the two-year period 2010 to 2012 by 24 percent to $5.48 billion. Expenditures increased in several categories, such as health professions education, community health improvement, and research.

Hospital community benefit and community building investments may be an important source of funding for efforts to improve population health, which is necessary if New York State is to achieve the Triple Aim of improved care, reduced costs and better health.

[1] Boufford, Dr. Jo Ivey and Ana Garcia, "Achieving the Triple Aim in New York State: The Potential Role of Hospital Community Benefit" and Bakken, Erik and Dr. David Kindig "New York 2010 Community Benefit Provision," The New York Academy of Medicine, Issue Brief, June 2014, available at http://www.nyam.org/news/publications/briefs/Online_Issue_Brief/Issue_Brief_Final.pdf (accessed July 1, 2015).

Overview

In New York State, as around the country, non-profit hospitals spend millions of dollars each year on activities that benefit the wider community they serve, in addition to services related to patient care. Hospitals report these community investments to the Internal Revenue Service annually on Form 990 Schedule H. While New York hospitals are required to report spending on these activities in order to maintain their tax-exempt status, there is no minimum required expenditure.[2]

The Affordable Care Act and its community benefit rules provide an important opportunity for increased investment in activities that improve health outcomes for all those living in a community. Tracking expenditures on these activities promotes a better understanding of hospital investments in community benefit and community building. Data from these reviews can be used to support alignment of these investments with evidence-based approaches to population health improvement, such as those described in the NYS Prevention Agenda.

The New York State Prevention Agenda 2013-2017 is the blueprint for state and local action to improve the health of New Yorkers in five priority areas[3] and to reduce health disparities for the racial, ethnic, and socioeconomic groups who experience them. The Prevention Agenda serves as a guide to local health departments and hospitals as they work collaboratively with their community partners to assess community health needs, identify local priorities and develop and implement community health improvement plans and community service plans to address them.

The New York State Department of Health (DOH) is interested in better understanding hospitals' investments in community health, namely the relationship between hospitals' reported Community Benefit expenditures and their Community Service Plans and Prevention Agenda activities. To that end, in 2014, DOH asked New York State hospitals to send their Schedule H Community Benefit forms directly to the Department's Office of Primary Care and Health Systems Management to assess concordance with their stated Prevention Agenda priority areas. Going forward, DOH and the Academy will assess how activities reported as community health improvement or community building relate to activities described in the hospital's required Community Service Plan and hospital projects related to the Delivery System Reform Incentive Payment (DSRIP) program. Alignment across these efforts could serve to leverage investments to improve the health of the population.

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[2] The final federal rules published in December 2014 regarding Community Health Needs Assessments, community service plans, and financial assistance for tax-exempt hospitals add requirements for compliance and sanctions for non-compliance, but it is unclear whether these will impact how a hospital reports expenditures on Schedule H in any of the community benefit or supplemental categories. See "Additional Requirements for Charitable Hospitals; Community Health Needs Assessments for Charitable Hospitals; Requirement of a Section 4959 Excise Tax Return and Time for Filing the Return; Final Rule." Federal Register. Vol. 79, No. 250, Wednesday, December 31, 2014.

[3] The five Prevention Agenda priorities are: Promote Healthy Women, Infants and Children, Promote Mental Health and Prevent Substance Abuse, Promote a Healthy and Save Environment, Prevent Chronic Diseases, and Prevent HIV, STDs and Vaccine-Preventable Diseases, and Health Care-Associated Infection.

Methodology

Hospital tax information was collected from Internal Revenue Service Form 990 Schedule H filings.[4] For 2012, researchers examined 152 Schedule H forms representing 208 general hospital facilities.[5] Researchers examined the following Schedule H categories:

1. Financial Assistance and Certain Other Community Benefits at Cost

- Financial assistance at cost
- Medicaid
- Costs of other means-tested government programs
- Community health improvement services and community benefit operations
- Health professions education
- Subsidized health services
- Research
- Cash and in-kind contributions for community benefit

2. Community Building Activities

- Physical improvements and housing
- Economic development
- Community support
- Environmental improvements
- Leadership development and training for community members
- Coalition building
- Community health improvement advocacy
- Workforce development
- Other

3. Bad Debt and [Unreimbursed] Medicare

[4] These forms are publicly available via the web-based database Guidestar® See www.guidestar.org.

[5] Health systems may file one report that includes multiple hospitals.

For these activities, hospitals may only report investments for which there is no other related revenue source. Thus, hospitals may report total expenditures on Schedule H and associated offsetting revenues for each category of community benefit. In some cases, where offsetting revenue exceeds hospital expenditures in a particular category, it appears as though the hospital's net investment in that category is negative. As in 2010, several hospitals posted negative allocations for community benefit in certain categories for 2012. Categories for which hospitals frequently posted negative results included unreimbursed Medicaid, education, and subsidized services. Therefore, some results or percentages may appear implausible, but are actually the results of negative allocation.[6]

Findings

In 2012, New York State non-profit hospitals spent $5.48 billion in community benefit, an increase of 24 percent from 2010.[7] (See Tables 1 and 2.) As a proportion of total hospital expenditures, community benefit expenditures increased from 10.26 percent in 2010 to 11.04 percent in 2012.[8] While expenditures increased in all categories of community benefit, there was a notably large increase in the categories of unreimbursed Medicaid ($324 million), health professions education ($379 million), research ($163 million), and community health improvement ($86 million). Community health improvement increased from 0.42 percent of total expenditures in 2010 to 0.53 percent of total expenditures in 2012.

Supplemental category expenditures increased from $364 million in 2010 to $702 million in 2012. (Table 3.) Unreimbursed Medicare accounted for most of this increase, growing from $187 million to $446 million. Community building, on the other hand, dropped from $18 million in 2010 to $16 million in 2012. Overall, supplemental category expenditures increased from 0.84 percent of total expenditures in 2010 to 1.54 percent of total expenditures in 2012.

6 In this report, numbers were treated as they appear on Schedule H; negatives were treated as negatives, if listed as such.

7 This is an increase from $4.42 billion in 2010. NOTE: this total differs from that initially reported for 2010 because two hospitals, Memorial Sloan Kettering and Bon Secours, had not reported at the time of the previously published 2010 analysis.

8 NOTE: The 2010 figure was also revised due to the addition of the two, previously missing hospitals: Memorial Sloan Kettering and Bon Secours.

Conclusion

Achieving the Triple Aim of improved care, reduced costs and better health in New York State will require additional investment in proven approaches to population health improvement, outside the walls of the traditional health care system. An important source for these investments could be hospital community benefit investments, which non-profit hospitals are required to make in order to maintain their tax-exempt status. New York State non-profit hospitals make substantial investments in community benefit—on the order of $5.4 billion in 2012—a fraction of which goes toward community health improvement (0.53%) and community building (0.03%). To get the greatest impact from these investments, it is important that these expenditures are aligned with proven approaches to community health improvement.[9] The New York State Department of Health, The New York Academy of Medicine and others will continue to provide support and information to health systems as they align and leverage their population health investments.

[9] For a list of proven approaches in community health interventions, see The New York Academy of Medicine and Trust for America's Health, "A Compendium of Proven Community-Based Prevention Programs" 2013, available at http://healthyamericans.org/assets/files/Compendium_Report_1016_1131.pdf last accessed August 5, 2015.

Table 1. New York Non-Profit Hospital Community Benefit Expenditures, 2010 and 2012

Category	Total Dollars 2010 ($ Millions)	Total Dollars 2012 ($ Millions)	Change in Community Benefit Dollars 2010-12 ($Millions)	Percent Change in Community Benefit Dollars 2010-12	Percent of Total Expenditures 2010	Percent of Total Expenditures 2012
Charity Care	$448.1	$513.2	$65.1	14.52%	1.04%	1.03%
Unreimbursed Medicaid	$1,557.4	$1,881.2	$323.8	20.79%	3.62%	3.79%
Other Means tested government programs	$40.5	$44.9	$4.43	10.95%	0.09%	0.09%
Community Health Improvement Services	$178.8	$264.4	$85.6	47.90%	0.42%	0.53%
Health professionals education	$1,329.2	$1,708.6	$379.4	28.55%	3.09%	3.44%
Subsidized Health Services	$486.0	$511.8	$25.9	5.32%	1.13%	1.02%
Research	$390.0	$553.1	$163.1	41.83%	0.91%	1.11%
Cash and in-kind contributions	$16.6	$19.3	$2.7	16.34%	0.04%	0.04%
Community Benefit Total**	**$4,419.3**	**$5,483.1**	**$1063.8**	**24.07%**	**10.26%**	**11.04%**

Note: This total differs from that initially reported for 2010 because two hospitals, Memorial Sloan Kettering and Bon Secours had not reported at the time of the 2010 analysis.

Total sums differ from category sums due to the presence of negative allocations in accounting.

Table 2. Average and Median New York State Non-Profit Hospital Community Benefit Expenditures, 2010 and 2012[10]

Category	Mean Dollars 2010 (Millions)	Mean Dollars 2012 (Millions)	Change in Mean Community Benefit Dollars 2010-12 (Millions)	Median Dollars 2010 (Millions)	Median Dollars 2012 (Millions)	Change in Median Community Benefit Dollars 2010-12 (Millions)
Charity Care	$3.0	$3.3	$0.3	$1.1	$1.4	$0.3
Unreimbursed Medicaid	$10.6	$12.3	$1.7	$3.6	$4.7	$1.1
Other Means tested government programs	$0.3	$0.3	$0.0	$0.0	$0.0	$-0.1
Community Health Improvement Services	$1.2	$1.7	$0.5	$0.1	$0.1	$0.0
Health professionals education	$9.0	$11.2	$2.2	$0.1	$0.1	$0.0
Subsidized Health Services	$3.3	$3.3	$0.0	$0.1	$0.5	$0.4
Research	$2.6	$3.6	$1.0	$0.0	$0.0	$0.0
Cash and in-kind contributions	$0.1	$0.1	$0.0	$0.0	$0.0	$0.0
Community Benefit Total	**$30.1**	**$35.8**	**$5.7**	**$9.0**	**$10.6**	**$1.6**

[10] Researchers calculated the statewide average spending per health system by dividing the state total expenditure by the number of health systems that submitted Schedule H forms.

Table 3. New York State Non-Profit Hospital Form 990 H Supplemental Category Reporting, 2010 and 2012

Category	Total Expenditures Dollars 2010 (Millions)	Total Expenditures Dollars 2012 (Millions)	Change in Dollars 2010-12 (Millions)	Percent Change in Supplement Category Dollars 2010-12 (millions)	Percent of Total Expenditures 2010	Percent of Total Expenditures 2012
Community building expenses	$17.9	$16.4	-$1.5	-8.4%	0.04%	0.03%
Bad debt attributed to charity care	$158.6	$240.3	$81.7	51.5%	0.37%	0.48%
Unreimbursed Medicare	$187.1	$445.7	$258.6	138.2%	0.43%	1.12%
Community Health Improvement Services	$1.2	$1.7	$0.5	$0.1	$0.1	$0.0
Supplemental Measures total	**$363.6**	**$702.4**	**$338.8**	**92.2%**	**0.84%**	**1.54%**

Erik Bakken, MPA, is a consultant residing in California. Mr. Bakken was previously a researcher for Dr. David Kindig at the University of Wisconsin Population Health Institute.

Kerry Griffin, MPA, is deputy director for Population Health and Health Care Reform in the Center for Health Policy and Programs at The New York Academy of Medicine.

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