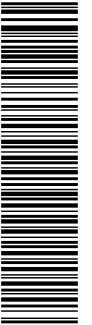


An act to amend Sections 127340, 127345, 127346, 127350, 127355, and 127360 of the Health and Safety Code, relating to hospitals.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 127340 of the Health and Safety Code is amended to read:

127340. The Legislature finds and declares all of the following:

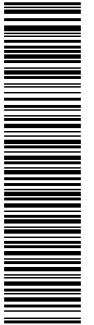
(a) Private not-for-profit hospitals are uniquely situated to meet certain needs of their communities through the provision of essential health care and other services. Public recognition of their ~~unique status~~ role and continued efforts to benefit the communities they serve has led to favorable tax treatment by the government. In exchange, ~~nonprofit~~ not-for-profit hospitals assume a vital and continuing social obligation to provide community benefits in the public ~~interest.~~ interest that advance equity.

(b) Hospitals and the environment in which they operate have undergone dramatic changes. The pace of change will ~~continues~~ to accelerate in response to health care coverage expansion and reform. In light of this, ~~significant~~ Significant public benefit would be benefit, in the form of improved community population health and improvements in whole-person care, are derived if when private not-for-profit hospitals reviewed and reaffirmed periodically continually review and reaffirm their commitment to assist in meeting their communities' health care needs by identifying and documenting benefits provided to the communities which they serve. meet the health care needs of their communities. Even greater public benefit would be derived when this review and reaffirmation is uniformly documented through the identification, tracking, analysis, and reporting of the ways in which not-for-profit hospitals provide community health benefits.

(c) Hospitals, local health departments, and community-based organizations each play a significant role in understanding and addressing local health improvement priorities. Collaboration between these partners through the community needs assessment and community benefit plan process will strengthen alignment and improve community engagement and impact toward shared goals of community health improvements that advance health equity.

(d) Not-for-profit hospitals, as a result of their status, not only receive favorable government tax treatment, but also receive grants and donations, in addition to financial reimbursements. Significant public benefit would be derived when not-for-profit hospitals commit to investing their resources in local public health efforts, infrastructure, and community-based organizations that serve their communities and advance equity.

(e) Community-based organizations have a key role in addressing the factors that influence social determinants of health in their communities. Community-based organizations serve as a trusted source of information and collaborate with vulnerable populations. They employ staff from the communities they serve, and have existing partnerships with other community-based organizations, community groups, and government agencies to facilitate meaningful engagement. The organizations may be based in a sector other than health, such as, housing security, food security and healthy food systems, economic stability, schools and childcare, community violence and hate crimes, youth criminal justice, transportation, environment and environmental justice, and community capacity building, leveraging this expertise to advance equity and reduce disparity.



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~~(e) California's private not-for-profit hospitals provide a wide range of benefits to their communities in addition to those reflected in the financial data reported to the state.~~

~~(d) Unreported community benefits that are often provided but not otherwise reported include, but are not limited to, all of the following:~~

- ~~(1) Community-oriented wellness and health promotion.~~
- ~~(2) Prevention services, including, but not limited to, health screening, immunizations, school examinations, and disease counseling and education.~~
- ~~(3) Adult day care.~~
- ~~(4) Child care.~~
- ~~(5) Medical research.~~
- ~~(6) Medical education.~~
- ~~(7) Nursing and other professional training.~~
- ~~(8) Home-delivered meals to the homebound.~~
- ~~(9) Sponsorship of free food, shelter, and clothing to the homeless.~~
- ~~(10) Outreach clinics in socioeconomically depressed areas.~~

~~(e) Direct provision of goods and services, as well as preventive programs, should be emphasized by hospitals in the development of community benefit plans.~~

SEC. 2. Section 127345 of the Health and Safety Code is amended to read:

127345. As used in this article, the following terms have the following meanings:

(a) "Charity care" means free health services provided without expectation of payment to persons who meet the organization's criteria for financial assistance and are unable to pay for all or a portion of the services. Charity care shall be reported at cost, as reported to the Department of Health Care Access and Information. Charity care does not include bad debt defined as uncollectible charges that the organization recorded as revenue but wrote off due to a patient's failure to pay.

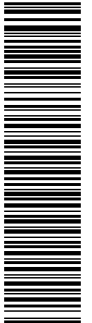
(b) "Community ~~benefits~~ benefit plan" means the written document prepared for annual submission to the Department of Health Care Access and Information that shall include, but shall not be limited to, a description of the activities that the hospital has undertaken in order to address identified community needs within its mission and financial capacity, and the process by which the hospital developed the plan in consultation with the community.

(c) "Community" means the service areas or patient populations for which the hospital provides health care services.

(d) "Community-based organization" means a public or private not-for-profit organization of demonstrated effectiveness that is representative of a local community or a significant segment of a community and is engaged in providing services to the community, particularly programs, services, and activities that impact social determinants of health, such as social and institutional inequities and living conditions. Community-based organizations shall not accept any tobacco industry funds and shall have divested their organization of any previously received tobacco funds.

~~(d)~~

(e) (1) Solely for the planning and reporting purposes of this article, "community benefit" means a hospital's activities that are intended to address community needs and priorities primarily through disease prevention and improvement of health status, including, but not limited to, any of the following: conducted independently or with and through community-based organizations and local health jurisdictions that are



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intended to address community-driven priorities to improve health, promote wellness, and advance equity for the communities served by the respective hospital. This may include all of the following:

(A) Improved access to care, including improving language access, culturally competent services, trauma-informed care, and supports to help communities navigate programs and services.

(B) Increased health prevention and community activities and policies to address broader social and community conditions and factors that influence health, known as social determinants of health, and advancing policies to address barriers or inequities impacting vulnerable populations.

~~(A)~~

(C) Health care services, rendered to vulnerable populations, including, but not limited to, charity care and the unreimbursed cost of providing services to the uninsured, underinsured, and those eligible for Medi-Cal, Medicare, California Children's Services Program, or county indigent programs.

~~(B) The unreimbursed cost of services included in subdivision (d) of Section 127340.~~

~~(C)~~

(D) Financial or in-kind support of public health programs, infrastructure programs, including prevention and promotion programs, policies, and activities in collaboration with local health departments.

~~(D) Donation of funds, property, or other resources that contribute to a community priority.~~

~~(E) Health care cost containment.~~

~~(F) Enhancement of access to health care or related services that contribute to a healthier community.~~

~~(G)~~

(F) Services offered and donations of funds, property, or other resources without regard to financial return because they meet a community need in the service area of the hospital, and other services including health promotion, health education, prevention, public health, and social services.

~~(H)~~

(G) Food, shelter, clothing, education, transportation, and other goods or services that help maintain a person's health, health and address social determinants of health and advance equity.

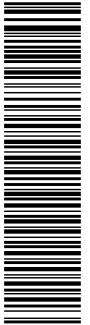
(2) "Community benefit" does not mean activities or programs that are provided primarily for marketing purposes or are more beneficial to the organization than to the community.

~~(e)~~

(f) "Community needs assessment" means the process by which the hospital, in collaboration with local health departments and community-based organizations, identifies, for its primary service area as determined by the physical location of the hospital, unmet community needs, needs for the most vulnerable populations.

~~(f)~~

(g) "Community needs" means those requisites for improvement or maintenance of health status in the community.



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(h) “Financial Assistance and Certain Other Community Benefits at Cost” means the hospital’s unreimbursed expenses toward financial assistance and means-tested government programs, and other benefits, as reported to the Internal Revenue Service in Schedule H (Form 990), including expenses that were partially reimbursed or reduced by revenues received.

~~(g)~~

(i) “Hospital” means a private not-for-profit acute hospital licensed under subdivision (a), (b), or (f) of Section 1250 and is owned by a corporation that has been determined to be exempt from taxation under the United States Internal Revenue Code. “Hospital” does not mean any of the following:

(1) Hospitals that are dedicated to serving children and that do not receive direct payment for services to any patient.

(2) Small and rural hospitals as defined in Section 124840, unless the hospital is part of a hospital system.

(3) A district hospital organized and governed pursuant to the Local Health Care District Law (Division 23 (commencing with Section 32000)) or a nonprofit corporation that is affiliated with the health care district hospital owner by means of the district’s status as the nonprofit corporation’s sole corporate member pursuant to subparagraph (B) of paragraph (1) of subdivision (h) of Section 14169.31 of the Welfare and Institutions Code.

~~(h)~~

(j) “Mission statement” means a hospital’s primary objectives for operation as adopted by its governing body.

~~(i)~~

(k) “Vulnerable populations” means any population that is exposed to ~~medical~~ medical, social, environmental, or financial risk by virtue of being uninsured, underinsured, low-income, or eligible for Medi-Cal, Medicare, California Children’s Services Program, or county indigent programs. “Vulnerable populations” also includes both of the following:

(1) Racial and ethnic groups experiencing disparate health outcomes, including Black/African American, American Indian, Alaska Native, Asian Indian, Cambodian, Chinese, Filipino, Hmong, Japanese, Korean, Laotian, Vietnamese, Native Hawaiian, Guamanian or Chamorro, Samoan, or other nonwhite racial groups, as well as individuals of Hispanic/Latino origin, including Mexicans, Mexican Americans, Chicanos, Salvadorans, Guatemalans, Cubans, and Puerto Ricans.

(2) Socially disadvantaged groups, including all of the following:

(A) The unhoused.

(B) Communities with inadequate access to clean air and safe drinking water, as defined by an environmental California Healthy Places Index score of 50 percent or lower.

(C) People with disabilities.

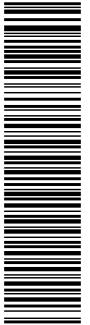
(D) People identifying as lesbian, gay, bisexual, transgender, or queer.

(E) Individuals with limited English proficiency.

(F) People experiencing economic disparities, such as poverty, unemployment, or underemployment.

(G) People who are incarcerated or formerly incarcerated.

(H) Immigrants and refugees.



(I) At-risk youth.

SEC. 3. Section 127346 of the Health and Safety Code is amended to read:

127346. (a) The Department of ~~Healthcare~~ Health care Access and Information may impose a fine not to exceed ~~five~~ twenty-five thousand dollars ~~(\$5,000)~~ (\$25,000) on hospitals for failure to adopt, update, or submit community benefit plans consistent with ~~Section 127350~~. all the requirements set forth in this article.

(b) The department may grant a hospital an automatic 60-day extension for submitting annual community benefit plans.

(c) The department shall annually prepare, and post on its internet website, a report that includes all of the following:

(1) The amount each hospital spent on community benefits.

(2) The amount of community benefit spending attributable to charity care, the unpaid cost of government-sponsored health care programs, and community benefit programs and activities.

(3) The amount of community benefit spending attributable to public health infrastructure, programs, and activities.

~~(3)~~

(4) A list of all hospitals that failed to report community benefits spending, comply with the requirements of this article.

(d) The department shall make all community benefit plans submitted by hospitals pursuant to Section 127350 available to the public on its internet website.

SEC. 4. Section 127350 of the Health and Safety Code is amended to read:

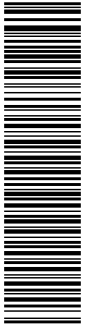
127350. Each hospital shall do all of the following:

(a) ~~By July 1, 1995, reaffirm~~ Reaffirm its mission statement that requires its policies integrate and reflect the public interest in meeting its responsibilities as a not-for-profit organization.

(b) ~~By January 1, 1996, complete,~~ Complete, either alone, in conjunction with other health care providers, or through other organizational arrangements, a community needs assessment evaluating the health needs of the community serviced by the hospital, that includes, but is not limited to, a process for consulting with community groups and local government officials in the identification and prioritization of community needs that the hospital can address directly, in collaboration with others, or through other organizational arrangement. The community needs assessment shall include coordination with local health jurisdictions to facilitate alignment with the community health assessment process. The community needs assessment shall be updated at least once every three years.

(c) ~~By April 1, 1996, and annually thereafter~~ Annually adopt and update a community ~~benefits~~ benefit plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements. The community benefit plan shall demonstrate alignment with the State Health Improvement Plan and the Community Health Improvement Plan for the respective local health jurisdictions.

(d) Upon completion of the hospital's community needs assessment, and annually thereafter, each hospital shall specify, assign, and spend 25 percent of its Financial Assistance and Certain Other Community Benefits at Cost through community-based organizations for implementation of programs and policies that address priorities from the community needs assessment to improve the health of the local community through



health prevention strategies that address social determinants of health, and advance health equity. Hospitals shall identify the community needs priorities to be addressed, and the investments of the 25 percent community benefit spending that shall be allocated to these priorities, based on guidance issued by the Department of Health Care Access and Information, and developed in coordination with the State Department of Public Health. The guidance shall be updated in three-year cycles to align with the required triennial updates to the community needs assessment.

(e) The 25 percent community benefit spending threshold, in subdivision (d), is based on each hospital's total community benefits excluding the financial assistance and means-tested government programs.

~~(d)~~

(f) (1) Annually submit its community ~~benefits~~ benefit plan, including, but not limited to, the activities that the hospital has undertaken in order to address community needs identified by the community needs assessment within its mission and financial capacity to the Department of Health Care Access and Information. The hospital shall assign and report the economic value of community benefits provided report how its Financial Assistance and Certain Other Community Benefits at Cost were provided in furtherance of its community benefit plan, and include a description of how needs identified in the assessment are being addressed and which needs are not being addressed, and why. Effective with hospital fiscal years, beginning on or after January 1, 1996, each why, as well as how the community benefit plan activities address priorities in the State Health Improvement Plan. The community benefit plan shall be consistent with the hospital's identification of priorities and spending, required in subdivision (d) of this Section. Each hospital shall file a copy of the plan with the department not later than 150 days after the hospital's fiscal year ends.

(2) Hospitals under the common control of a single corporation or another entity may file a consolidated report if the report includes each hospital's community benefit financial data data, including each hospital's 25 percent of its Financial Assistance and Certain Other Community Benefits at Cost spent toward community-based health, as required in subdivision (d), and describes the benefits provided to the communities in the hospitals' geographic area. Hospitals on a consolidated license may file a consolidated community benefit plan report if they serve the same geographic area.

(3) Each hospital's community benefit report shall contain an explanation of the methodology used to determine the hospital's costs, written in plain English.

~~(e)~~

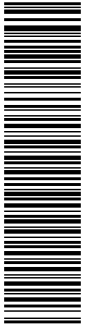
(g) Annually post its community ~~benefits~~ benefit plan on its internet website.

SEC. 5. Section 127355 of the Health and Safety Code is amended to read:

127355. The hospital shall include all of the following elements in its community ~~benefits~~ benefit plan:

(a) Mechanisms to evaluate the plan's effectiveness including, but not limited to, a method for soliciting the views of the community served by the hospital and identification of community groups and local government officials consulted during the development of the plan.

(b) Measurable objectives to be achieved within specified ~~timeframes~~ timeframes, including measurable objectives that outline equity benchmarks and efforts to promote equity and reduce disparities.



(c) Community benefits categorized into the following framework: reported by categories consistent with those reported to the Internal Revenue Service in Schedule H (Form 990).

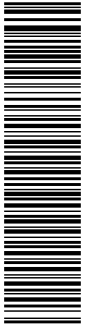
- ~~(1) Medical care services.~~
- ~~(2) Other benefits for vulnerable populations.~~
- ~~(3) Other benefits for the broader community.~~
- ~~(4) Health research, education, and training programs.~~
- ~~(5) Nonquantifiable benefits.~~

SEC. 6. Section 127360 of the Health and Safety Code is amended to read:

127360. (a) Nothing in this article shall be used to justify the tax-exempt status of a hospital under state law. Nothing in this article shall preclude the department from requiring hospitals to directly report their charity activities.

(b) The department shall promulgate regulations to implement this article.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Hospitals: community benefits.

Existing law establishes the Department of Health Care Access and Information to oversee various aspects of the health care market, including oversight of hospital facilities and community benefit plans. Existing law requires a private not-for profit hospital to complete, either alone, in conjunction with other health care providers, or through other organizational arrangements, a community needs assessment, as defined, evaluating the health needs of the community serviced by the hospital. Existing law requires the community needs assessment to be updated at least once every 3 years.

This bill would require the hospital, upon completion of the community needs assessment, and annually thereafter, to specify, assign, and spend 25% of its Financial Assistance and Certain Other Community Benefits at Cost, as defined, through community based organizations, as defined, for implementation of programs and policies that address priorities from the community needs assessment to improve the health of the local community through health prevention strategies that address social determinants of health, and advance health equity.

Existing law requires the hospital to adopt and update a community benefit plan that describes the activities the hospital has undertaken to address identified community needs within its mission and financial capacity, including health care services rendered to vulnerable populations. Existing law defines "vulnerable populations" for these purposes to mean a population that is exposed to medical or financial risk by virtue of being uninsured, underinsured, or eligible for Medi-Cal, Medicare, California Children's Services Program, or county indigent programs. Existing law requires a hospital to annually submit its community benefit plan to the department not later than 150 days after the hospital's fiscal year ends.

This bill would add, among other things, immigrants, refugees, and at-risk youth to the definition of "vulnerable populations" for community benefits reporting purposes. The bill would expand the definition of "community benefit" to include, among other things, access to care, including language access, culturally competent services, trauma-informed care, and support to help communities navigate programs and services.

Existing law authorizes the department to impose a fine not to exceed \$5,000 against a hospital that fails to adopt, update, or submit community benefit plans and requires the department to annually prepare and post on its internet website a report that includes, among other things, the amount each hospital spent on community benefits.

This bill would increase the fine to \$25,000, and would require the report to include, among other things, the amount of community benefit spending attributable to public health infrastructure, programs, and activities.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

