

# Fact Sheet

## Defending Community Benefits in a Changing Health Care World

The Access Project is funded by a grant from The Robert Wood Johnson Foundation to the Heller Graduate School at Brandeis University.

# Defending Community Benefits in a Changing Health Care World

All across the country, from New Hampshire to California, local communities are defending and improving their access to health care. These communities are getting involved in and winning campaigns to define and increase the “community benefits” provided by hospitals, HMOs, and insurers.

## What Are Community Benefits?

Community benefits are the unreimbursed goods and services, provided by local health care institutions, that address community-identified health needs and concerns. In simpler terms, they are the things that a hospital or health insurer does that improve the health of the community, but for which the institution does not get paid. Some common examples of community benefits include free or “charity” care at hospitals, premium subsidies by insurers or HMOs, health education campaigns, health screenings, free flu shots, and so on.

Until recently, it was left to health care institutions to decide on their own how much money to devote to community benefits and what benefits to provide. As a result, some institutions provided a great deal in the way of community benefits and others provided very little. But recent changes in the health system have led community groups and public officials to pay more attention to community benefits.

## Where Do Community Benefits Come From?

Traditionally, most hospitals have been nonprofit institutions formed for charitable purposes.<sup>1</sup>\* Some health plans, such as Blue Cross Blue Shield, were also organized along charitable lines and many of the older HMOs are or were nonprofits. Hospitals often met their charitable obligation by providing charity care for those unable to pay. They also provided services such as health screenings or health education campaigns. Nonprofit health plans often served as insurers of “last resort” — taking all comers, including individuals, high-risk people, and small businesses. In some cases, insurers offered premium discounts for certain low-income subscribers. Despite their

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<sup>1</sup> Nonprofit status means institutions are generally exempt from local, state, and federal taxes, as well as being able to solicit tax deductible donations.

limitations, these community benefits formed an important health care safety net for millions of uninsured and vulnerable populations.

## Threats to Community Benefits

In recent years, the health care system has been changing in ways that can threaten the delivery of community benefits. Under pressure from HMOs to reduce costs, some hospitals have become less able or less willing to provide community benefits. Similarly, health plans that once served as insurers of last resort have often tried to shed this responsibility.

Another trend that can undermine the provision of community benefits has been the growth of for-profit health care. Unless they have a specific obligation to provide community benefits, for-profit health institutions pose a double threat to community services. These institutions may not provide essential community services themselves because they are not profitable undertakings. But if the for-profit institutions are able to lower prices by eliminating community services, they put pressure on the nonprofit institutions to do likewise or risk going out of business.

## Action to Defend Community Benefits

With community benefits at risk of going the way of the dinosaurs, community groups, city governments, and state regulators and legislators have begun to take action.

- In some cases, local governments have challenged the tax-exempt status of institutions that have not provided benefits.
- Twelve states have laws, regulations, or guidelines requiring that hospitals provide free care or community benefits: California, Georgia, Indiana, Massachusetts, Minnesota, New York, Oklahoma, Pennsylvania, Rhode Island, Texas, Utah, and West Virginia.
- In at least one state (Massachusetts), the attorney general has issued community benefit guidelines for HMOs, and a new law requires that HMOs contribute to a fund created to pay for free care provided by hospitals.
- A number of these laws and guidelines also require a community health needs assessment and community participation in both development and monitoring of community benefits plans.
- Local activists in Massachusetts, New Hampshire, Pennsylvania, and other states have involved themselves in mergers and nonprofit conversions and have been able to win commitments for new services and increased community participation.

Increasingly, commitments to provide community benefits are being extracted from for-profit as well as nonprofit institutions. The concept of requiring for-profit corporations

to meet social obligations by providing necessary services is relatively new in health care but has been used in other industries. For example, utility companies must serve all geographic areas, including unprofitable rural regions. Banks must make basic checking services available to all communities and reinvest assets into the communities in which they do business.

## What Are the Elements of a Good Community Benefits Process?

Ideally, health care institutions should be held responsible for providing some measurable level of community benefits and there should be a clear and community-accessible process for determining and evaluating community benefits. The process should include:

- Identifying the target community;
- Involving members of the community in the process;
- Clearly identifying staff who are responsible for plan implementation;
- Conducting a needs assessment;
- Establishing a community benefits budget;
- Setting clear goals;
- Having a process for evaluating progress in meeting those goals.

## Resources

To find out more about how to get involved in protecting or improving community benefits, see the following resource:

*Community Benefits Manual, available on the Community Catalyst website (<http://www.communitycat.org>) in the Toolbox section.*

Michael Miller from Health Care for All produced this fact sheet for The Access Project. We would also like to acknowledge the contribution of other staff from Health Care for All and Community Catalyst who worked on this fact sheet. Both groups are located in Boston.

If you have additional questions, please contact The Access Project at 30 Winter Street, Suite 930, Boston, MA 02108. You can phone us at 617-654-9911, fax us at 617-654-9922 or look us up on our website, [www.accessproject.org](http://www.accessproject.org).

Revised: 2/99, Updated 12/01

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# Defending Community Benefits in a Changing Health Care World

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The Access Project  
30 Winter Street, Suite 930  
Boston, MA 02108  
FAX (617) 654-9922

If you prefer, you may e-mail your comments to us at:

[info@accessproject.org](mailto:info@accessproject.org)

*Thank You!*

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