Community Benefit Spending in the Time of COVID-19

Population Health Sciences

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Community benefit spending by our nation's nonprofit hospitals has always been a hot-button issue. To qualify for nonprofit status, health care systems are required to report annually to the Internal Revenue Service how they direct resources towards the community. And the results, for years, have been underwhelming.

In the midst of the COVID-19 epidemic, many people may not have seen our new *JAMA Network Open* study published last month, which further illustrates this evolving story. The pandemic also provides us an opportunity to examine the issue of community benefit spending through a new lens.

Direct Community Benefit Spending Has Remained Flat

Prior to the Affordable Care Act (ACA) and its associated expansion of Medicaid, what hospitals reported as community benefit spending consistently included non-reimbursed care for uninsured individuals and non-reimbursed expenses for Medicaid patients. As a percentage of revenue, direct investments in community programs and services remained historically very small.

This has led to criticism over the years that our large nonprofit health care systems are failing to invest directly in their surrounding neighborhoods—neighborhoods that are often underserved and challenged economically and psychosocially. Some, including Sen. Charles Grassley and the Senate Finance Committee, have started to question whether these hospitals are deserving of their nonprofit status given their reported profits and executive-level compensation. Here in Philadelphia, it has led to discussion of levying additional required

payments to the city (termed payments in lieu of taxes, or PILOTs) to remedy under-investment by our area's nonprofit hospitals.

As originally written, the ACA required states to expand Medicaid eligibility to cover more individuals, although a Supreme Court decision that followed the ACA's passage allowed states to opt-in to Medicaid expansion. The ACA's authors had hoped that as hospitals would, in theory, provide care to fewer uninsured individuals this would free up funds to make direct community investments, and usher in a new focus on population health and wellness in underserved communities. However, until now, we didn't have the evidence to know if the ACA had its intended effect in states that did expand Medicaid.

Our new national analysis looks at longitudinal community benefit spending by nonprofit hospitals following the expansion of Medicaid coverage in many states. What we found, to put it simply, is that direct investments in communities failed to increase between 2011 and 2017 on average across the nation's nonprofit hospitals. Even as hospitals reported higher non-reimbursed Medicaid expenses, direct community investment remained flat.

Interpreting Our Results from the Lens of a COVID-19 Epidemic

Before the COVID-19 epidemic arrived, a critical but over-simplified interpretation of these findings would have been that nonprofit hospitals are failing to serve the communities that surround them. However, the scenes from our emergency departments, and the heroism of our health care workers in the face of surging numbers of incredibly sick patients, is a blunt reminder of the value that our health care systems provide each day. Even in this crisis, many hospitals, particularly those who serve rural and low-income communities, have experienced severe financial shocks, which will place their own solvency at risk. Other more profitable hospitals were required to stop elective surgeries as a safety measure, clipping a significant source of their annual income. As the numbers of uninsured and Medicaid patients quickly rise with the 28 million people newly unemployed, their balance sheets will be strained even further.

But we should be careful to give health care systems, as a whole, a free pass on community investments, especially as we get beyond the COVID-19 pandemic. It may take time, but unemployment should improve and I hope that many of these health care systems will recover financially. Recent federal legislation is also providing "disproportionate share" financial subsidies to many hospitals to help alleviate the added expenses they will have from caring for the uninsured. Meanwhile, many community-based organizations without the sustainable revenue sources that insurance provides, risk suffering long-term consequences and closure due to the high intensity of need for their services.

The sheer size of many health care systems, and the pivotal employment and investment role they play in their communities, will not abate after this crisis. At a time when many sectors are struggling economically, our health care sector is likely to recover the quickest as our economy improves and may be able to direct some of their profits toward the healing of our communities.

Community Benefit Spending Can Be Incredibly Powerful, Particularly During a Crisis

At Children's Hospital of Philadelphia (CHOP), we have been mobilizing, even before the epidemic, to increase our investments in West Philadelphia and the surrounding areas. CHOP has made a $25 million commitment through its Healthier Together initiative to remediate homes for children with asthma, respond to the growing challenges of trauma in the community, address food insecurity and improve economic security by providing more jobs to West Philadelphians.

Furthermore, a collaboration between Population Health, Social Work, Safe Place and other teams at CHOP created "Community Resource Connects," a website for the public and our staff that allows people to identify needed community resources in their neighborhoods. That effort is joining other health care systems in the area and the city's health department to find ways to align resource mapping and referral efforts. We are already

seeing public demand for these resource maps skyrocket. And most recently, CHOP has provided additional direct contributions to food assistance programs in the city.

Community benefit spending by nonprofit hospitals has always been a tricky issue to message because of the many great things our health care providers do every day to help people. But, the individual care of patients does not diminish a health care system's larger role in its neighborhood, and its ability to be a transformative force in reshaping these communities for years to come. As our nation responds to an economic challenge borne by a pandemic, hospitals' commitments to their surrounding neighborhoods will be tested more than ever.

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