



Community Benefit

ISSUE BRIEF | House Bill 23-1243

Background

Many hospitals in the United States operate as nonprofit organizations and, as such, are exempt from most federal, state, and local taxes. This exemption is intended to be an acknowledgement of the “community benefit” provided by these institutions. To qualify for tax exemption, there are federal requirements, overseen by the IRS, for how hospitals provide and account for community benefit. There have been longstanding efforts to exert additional state control over hospital community benefit dollars, and nonprofit hospitals in Colorado currently report on activity to HCPF following the passage of House Bill (HB) 19-1320. As initially drafted, this year’s legislation would have included mandatory minimum spending thresholds that excluded all charity care, medical research, or workforce investments. However, after significant advocacy by CHA and member hospitals and health systems, the final bill sent to Governor Polis focuses on updates to existing reporting and community engagement processes.

HB 23-1243: Community Benefit

[HB 23-1243](#), as finalized, makes changes to the reporting hospitals submit to HCPF regarding community engagement activities and the annual data reporting to HCPF regarding community benefit. Hospitals can only add priorities to their annual implementation plans if they are presented at the annual meeting and the community has the opportunity to provide feedback. HCPF will review each hospital’s community health needs assessment (CHNA) and implementation plans every three years to compare the highest priority areas reported by the communities compared to the hospital’s spending.

Changes to community engagement:

Hospitals are already required to host an annual public meeting seeking feedback on their community benefit activity and inviting certain stakeholders. The bill requires hospitals to expand that invitation to include:

- A member of the tribal council or their designee for a hospital whose community includes one of Colorado’s land-based tribes – *information can be found [here](#) on Colorado’s two federally recognized Tribes*
- A member from the urban Indian organization for a hospital whose community includes a federally designated urban Indian health center or urban Indian designation – *Colorado has one urban Indian Health Center, [Denver Indian Health and Family Services](#) (service area includes Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, Jefferson, and Weld Counties)*
- A member from an institution of higher learning for a hospital whose community includes such institutions

The bill requires the invitation to be shared at least 30 days prior to the annual meeting and shared through:

- Hospital’s website
- Social media accounts
- Other online presences
- Hospital’s e-newsletter or email list
- Any other means through which the hospital regularly communicates with the community it serves

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When presenting the proposed community benefit implementation plan, hospitals must:

- Present priority areas identified in the hospital's most recent CHNA and any other investment options recommended by the hospital; these must be clearly identified by their source recommendation (*e.g., the hospital identified this need due to clinical data on patient outcomes or the community requested investment*)
- Solicit public input for any additional community benefit priorities
- Review and incorporate public feedback

Changes to reporting – the annual community benefit report will now include:

- An explanation of the community served by the hospital facility
- An explanation for how the community was defined pursuant to the current federal standard hospitals use to define community ([IRS standards 26 CFR 1.501[©]3\(b\)](#))
- A list of investments broken down by cash expenditures or in-kind contributions related to: free or discounted care, behavioral health, community-based health care, social determinants of health spending (*e.g., housing, food, transportation, interpersonal violence, education, job opportunities*), provider recruitment, education, research, and training
- Evidence showing how the investment improves community outcomes and relates to community-identified needs (*pending rulemaking to define the scope of this reporting*)

For each public meeting and CHNA community engagement meeting held, hospitals must report to HCPF and make the report available to community members through the hospital's website. The report must include:

- Meeting minutes
- A list of meeting attendees
- The content of the meeting discussion, including the community benefit priorities
- Community feedback and how the hospital plans to incorporate the feedback into reporting
- Any data collected, such as race, ethnicity, or income

The Department of Revenue will:

- Calculate the estimated federal and income tax exemptions and property tax exemption for each hospital

HCPF will:

- Conduct a stakeholder meeting with consumer advocates, community organizations, and hospitals to develop best practices for community engagement
- Evaluate ways to reduce redundant community health needs assessments, such as Hospital Transformation Program Community and Health Neighborhood Engagements (CHNEs), CDPHE public health intervention program (PHIP) reports, and CHNAs, which all include community engagement, but operate on separate timelines
- Include a summary of the Department of Revenue's calculations in its annual community benefit report

The state board shall promulgate rules to:

- Establish accommodation standards for the annual community benefit public meeting and CHNA that include language accessibility, adequate advanced public notice, and any other accessibility measures deemed necessary to implement the best practices
- Evidence-based documentation

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Compliance:

- If HCPF finds that a hospital is noncompliant with the reporting requirements, HCPF will notify the hospital of its noncompliance and the information that needs to be provided
- If the hospital does not comply, HCPF will require the hospital to submit a corrective action plan within 120 days for approval by HCPF. If noncompliance continues and is willful or related to a pattern of noncompliance, HCPF may fine the hospital based on the following:
 - For systems with three or more hospitals: the fine cannot be more than \$20,000 per week, per violation
 - For all other hospitals: the fine cannot be more than \$5,000 per week, per violation
- The fine amount will be required to be spent on community benefit priorities

Timeline

- **Aug. 1, 2023:** Effective date of the legislation
 - *Note:* Hospitals are not expected to report in 2023 consistent with the new requirements; the [first reporting window will begin in 2024](#). However, HCPF does expect hospitals to begin integrating the clear community engagement directives, (e.g., how to invite the community) into community benefit activities moving forward.
- **Sept. 1, 2023:** Latest date HCPF will begin stakeholder engagement prior to rulemaking
- **April 1, 2024:** Rules will be available for hospitals to ensure compliance
- **July 1, 2024:** Earliest reporting window that the rules will be in effect

Additional Resources

- [Final bill text](#)
- [Fiscal note](#)
- [HCPF's Current Community Benefit Report Page](#)
- [Director Bimestefer Letter on HB 23-1243 Implementation Timing](#)
- [December 2022 CHA Community Benefit Checklist and Resources](#)
- [Catholic Health Association Community Benefit Resource Index](#)