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March 5, 2020

To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Patricia F. O'Connor, Health Education and Advocacy Unit

Re: Senate Bill 774 (Hospitals - Community Benefits): Support

The HEAU submits the following written testimony in support of Senate Bill 774, which would upgrade the process, standards and reporting requirements applicable to non-profit hospitals' obligations to provide Community Benefits in exchange for their tax-exempt status. On behalf of consumers of hospital services, we submit that more meaningful community benefits focused on the specific needs of consumers would be achieved by passage of the bill.

Recent reports from National Nurses United¹ and 1199SEIU², call into question whether Maryland hospitals are providing the types and reported amounts of "Community Benefits" that entitle them to receive tax-exempt status. As noted by NNU, "many not-for-profit hospitals treat their obligations to provide community benefits as a marketing opportunity,"... "rarely does the actual spending receive the detailed analysis it deserves." National Nurses United, *JHH Charity Care Report* at p. 15.

This bill amends Section 19-303 of the Health-General Article to modify the definition of "community benefit" to be "nonreimbursable" health services and creates a new definition of a "community benefiting reporting workgroup." It also modifies the definition of "community needs assessment" to read "community health needs assessment means a community health needs assessment conducted by a nonprofit hospital in accordance with Section 501(r)(3) of the Internal Revenue Code."

¹ https://act.nationalnursesunited.org/page/-/files/graphics/1118_JHH_CharityCare_Report_web.pdf

² <http://faircareformd.com/wp-content/uploads/2020/02/1199SEIU-Hospital-Tax-Exempt-White-Paper-aa-v1.7-web-version-1.pdf>

The Health Services Cost Review Commission (HSCRC) would create a Community Benefit Reporting Workgroup, composed of individuals knowledgeable about hospital community benefit spending. The Workgroup would develop rules and standards by which all nonprofit hospitals must submit reports that identify the hospital's community health needs, after consultation with consumers and identified other members of the public, including local health care providers, faith leaders and community leaders.

The bill details how the nonprofit hospitals must solicit information and feedback from the public regarding its proposed community benefit initiatives meant to address the community health needs. Each nonprofit hospital must subject an annual community benefit report to HSCRC that details the community benefits provided by the hospital during the preceding year, including the cost to the hospital of each initiative and the impact of each initiative. The hospital also must list the tax exemptions it claimed during the preceding year.

We ask the committee for a favorable report.

cc: Sponsor and Members of the Finance Committee