

Friend or Foe: The Implications of the Final IRS Regulations on Your Hospital's CHNA

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On December 29, 2014, the Internal Revenue Service and the Treasury Department issued final regulations that provide guidance regarding the requirements for charitable hospitals added by the Patient Protection and Affordable Care Act of 2010. Over the next several months, hospitals will be gearing up to begin their next Community Health Needs Assessment (CHNA) process or are already in the throes of working on it, so it is important to ensure that your process meets these requirements. Whether or not the final regulations are good news or bad news (i.e., friend or foe) completely depends on your point of view, and how much your organization already has in place to sustain these activities. Highlights of the final regulations that you should be aware of as you embark on your next CHNA include:

- **Collaboration is encouraged but not mandated, and flexibility is available to meet individual needs** – the final regulations offer a number of clarifications regarding how hospitals can collaborate with each other and with public health departments within overlapping geographies, even if they are not identical. Joint CHNA reports and joint implementation strategies are permitted as are joint reports and separate implementation strategies, as well as separate reports and implementation strategies that share specific information and report language. Hospitals can also conduct a collaborative CHNA then add in specific information that relates to a special population or need that relates to their hospital only. There is quite a bit of flexibility, as long as all the requirements are met through the process, but the final regulation does convey that the CHNA reports of collaborating facilities should differ to reflect any material differences in the communities served by those hospital facilities. The methodology of the final report(s) must specifically state the name(s) of the collaborating providers and articulate the appropriate “nuances” of the data collection, analysis and role(s) in the implementation strategy(ies). A summary or tool must be available so that the reader can easily find each hospital’s portion of the joint implementation strategy. Each collaborating hospital’s “completion” date is the date they publish their report on their website, and it doesn’t have to be the same day for all collaborating entities.



- **The CHNA must take into account input from persons who represent the broad interests of the community served by the hospital facility** – the report must summarize the input by such persons, as well as how and over what time period the input was provided and whether it was through meetings, focus groups, interviews, surveys, or written input, and describes the medically underserved, low-income or minority populations being represented by organizations or individuals that provided input. Organizations that provide input should be specifically noted, but individual persons do not need to be named.
- **In assessing community health needs, the hospital must also identify resources (such as organizations, facilities and programs in the community, including those of the hospital) potentially available to address those needs.** This includes requisites for the improvement or maintenance of health status in both the com-

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munity at large as well as within specific portions of the community (such as a neighborhood or population with a health disparity) and can include resources to address a broad spectrum of needs including financial and other barriers to care, nutrition, addressing social, behavioral and environmental factors that influence health.

- **The implementation strategy must describe how the hospital plans to address each significant health need or why the hospital does not intend to address the need AND identify the resources the hospital facility plans to commit to address the health need along with any planned collaboration and the anticipated impact of these actions** – The implementation strategy is a plan for addressing the significant health needs and only has to be updated every three years. However, there is now more specificity required regarding how the implementation strategy is accomplished, the resources it will take to address the need and the anticipated impact. The final regulations also retain the requirement that hospitals must annually furnish information on their Form 990s about how they are addressing the significant health needs identified through their CHNAs.
- **Extra time is available for implementation strategy development and posting** – hospitals now have an additional four and a half months to adopt the implementation strategy. Specifically, an authorized body of the hospital facility must adopt an implementation strategy to meet the health needs identified through a CHNA on or before the 15th day of the fifth month after the end of the taxable year in which the hospital finishes conducting the CHNA. This also happens to be the due date (without extensions) of the Form 990 filed for the tax year in which the CHNA is conducted.
- **The CHNA report must include an evaluation of the impact of any actions that were taken since the hospital facility finished conducting its immediately preceding CHNA** – this new language replaces the proposed requirement that the implementation strategy describe a plan to evaluate its impact. Unfortunately, the regulation does not include an operational definition of “evaluate impact” or guidelines about how the evaluation section should be completed.

While the final regulations provide additional definitions and specificity related to certain components of the CHNA process, there are and will continue to be some “gray areas” that require discussion, debate and ongoing interpretation over time. One of the biggest challenges for many hospitals will be identifying the “strategic investment budget” (the resources that are committed to addressing the health need). Many hospitals also struggle with identifying the impact beyond the number of people who participate and establishing a process to evaluate that impact. Unfortunately (or fortunately depending on how you look at it), the regulations are not specific about how that evaluation is performed, they only state that you need to do it.

We are happy to assist you by offering an objective review of your process and approach, including suggestions and support to enhance your process moving forward. Our team at Strategy Solutions has not only assisted hospitals in conducting their CHNAs, but has also been instrumental in helping hospitals craft their implementation strategies, design and conduct their evaluations, as well as develop the tools, personnel and programs necessary to measure the outcomes and impact of their efforts. **Let us help you create a healthier community!**



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