



Community Health Needs Assessment for Charitable Hospital Organizations - Section 501(r)(3)

In addition to the general requirements for tax exemption under Section 501(c)(3) and Revenue Ruling 69-545, hospital organizations must meet the requirements imposed by Section 501(r) on a facility-by-facility basis in order to be treated as an organization described in Section 501(c)(3). These additional requirements are:

1. Community Health Needs Assessment (CHNA) - Section 501(r)(3),
2. Financial Assistance Policy and Emergency Medical Care Policy - Section 501(r)(4),
3. Limitation on Charges - Section 501(r)(5), and
4. Billing and Collections - Section 501(r)(6).

Section 501(r)(3)(A) requires a hospital organization to conduct a community health needs assessment (CHNA) every three years and to adopt an implementation strategy to meet the community health needs identified through the CHNA.

Section 501(r)(3)(B) provides that the CHNA must:

- Take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health, and
- Be made widely available to the public.

A hospital organization meets the requirements of Section 501(r)(3) with respect to a hospital facility it operates:

- If the hospital facility has conducted a CHNA in the taxable year or in either of the two immediately preceding taxable years, and
- An authorized body of the hospital facility has adopted an implementation strategy to meet the community health needs identified through the CHNA on or before the 15th day of the fifth month after the end of such taxable year.

Conducting a CHNA

To conduct a CHNA, a hospital facility must complete the following steps:

1. Define the community it serves.
2. Assess the health needs of that community.
3. In assessing the community's health needs, solicit and take into account input received from persons who represent the broad interests of that community, including those with special knowledge of or expertise in public health.
4. Document the CHNA in a written report (CHNA report) that is adopted for the hospital facility by an authorized body of the hospital facility.

5. Make the CHNA report widely available to the public.

A hospital facility is considered to have conducted a CHNA on the date it has completed all of these steps, including making the CHNA report widely available to the public.

Community Served

A hospital facility may take into account all the relevant facts and circumstances in defining the community it serves. This includes:

- The geographic area served by the hospital facility,
- Target populations served, such as children, women, or the aged, and
- Principal functions, such as a focus on a particular specialty area or targeted disease.

However, a hospital facility may not define its community in a way that excludes medically underserved, low-income, or minority populations who live in the geographic areas from which it draws its patients (unless such populations are not part of the hospital facility's target population or affected by its principal functions) or otherwise should be included based on the method the hospital facility uses to define its community.

Medically underserved populations include populations experiencing health disparities or that are at risk of not receiving adequate medical care because of being uninsured or underinsured, or due to geographic, language, financial, or other barriers. Populations with language barriers include those with limited English proficiency. Medically underserved populations also include those living within a hospital facility's service area but not receiving adequate medical care from the facility because of cost, transportation difficulties, stigma, or other barriers.

Additionally, in determining its patient populations for purposes of defining its community, a hospital facility must take into account all patients without regard to whether (or how much) they or their insurers pay for the care received or whether they are eligible for assistance under the hospital facility's financial assistance policy.

If a hospital facility consists of multiple buildings that operate under a single state license and serve different geographic areas or populations, the community served by the hospital facility is the aggregate of these areas or populations.

Assessing Community Health Needs

To assess the health needs of its community, a hospital facility must identify the significant health needs of the community. It must also prioritize those health needs, as well as identify resources potentially available to address them. Resources can include organizations, facilities, and programs in the community, including those of the hospital facility, potentially available to address those health needs.

The health needs of a community include requisites for the improvement or maintenance of health status both in the community at large and in particular parts of the community, such as particular neighborhoods or populations experiencing health disparities. Needs may include, for example, the need to:

- Address financial and other barriers to accessing care,
- Prevent illness,
- Ensure adequate nutrition, or
- Address social, behavioral, and environmental factors that influence health in the community.

A hospital facility may determine whether a health need is significant based on all the facts and circumstances present in the community it serves. Additionally, a hospital facility may use any criteria to prioritize the significant health needs it identifies, including, but not limited to the:

- Burden, scope, severity, or urgency of the health need,
- Estimated feasibility and effectiveness of possible interventions,
- Health disparities associated with the need, or
- Importance the community places on addressing the need.

Input Representing the Broad Interests of the Community

A hospital must both solicit and take into account input received from all of the following sources in identifying and prioritizing significant health needs and in identifying resources potentially available to address those health needs.

1. At least one state, local, tribal, or regional governmental public health department (or equivalent department or agency), or a State Office of Rural Health described in Section 338J of the Public Health Services Act, with knowledge, information, or expertise relevant to the health needs of the community.
2. Members of medically underserved, low-income, and minority populations in the community served by the hospital facility, or individuals or organizations serving or representing the interests of these populations.
3. Written comments received on the hospital facility's most recently conducted CHNA and most recently adopted implementation strategy

Additional Sources of Input

In addition to soliciting input from the three required sources, a hospital facility may solicit and take into account input received from a broad range of persons located in or serving its community. This includes, but is not limited to:

- Health care consumers and consumer advocates
- Nonprofit and community-based organizations
- Academic experts
- Local government officials
- Local school districts
- Health care providers and community health centers
- Health insurance and managed care organizations,
- Private businesses, and
- Labor and workforce representatives.

Although a hospital facility is not required to solicit input from additional persons, it must take into account input received from any person in the form of written comments on the most recently conducted CHNA or most recently adopted implementation strategy.

Documentation of a CHNA

A hospital facility must document its CHNA in a report that is adopted by an authorized body of the hospital facility. The CHNA report must include the following items.

- A definition of the community served by the hospital facility and a description of how the community was determined.

- A description of the process and methods used to conduct the CHNA.
- A description of how the hospital facility solicited and took into account input received from persons who represent the broad interests of the community it serves.
- A prioritized description of the significant health needs of the community identified through the CHNA. This includes a description of the process and criteria used in identifying certain health needs as significant and prioritizing those significant health needs.
- A description of resources potentially available to address the significant health needs identified through the CHNA.
- An evaluation of the impact of any actions that were taken to address the significant health needs identified in the immediately preceding CHNA,

A CHNA report will be considered to describe the process and methods used to conduct the CHNA report if it:

- Describes the data and other information used in the assessment,
- Describes the methods of collecting and analyzing this data and information,
- Identifies any parties with whom the hospital facility collaborated or contracted for assistance in conducting the CHNA.

A hospital facility may rely on (and the CHNA report may describe) external source material in conducting its CHNA. In such cases, the hospital facility may simply cite the source material rather than describe the methods of collecting the data.

A hospital facility's CHNA report must describe how the hospital facility took into account input received from persons who represent the broad interests of the community it serves. The CHNA report should:

- Summarize, in general terms, the input provided by such persons,
- Describe how and over what time period such input was provided (for example, whether through meetings, focus groups, interviews, surveys, or written comments and between what approximate dates),
- Provide the names of any organizations providing input and summarizes the nature and extent of the organization's input, and
- Describe the medically underserved, low-income, or minority populations being represented by organizations or individuals that provided input.

However, a CHNA report does not need to name or otherwise individually identify any individuals providing input on the CHNA, including individuals participating in community forums, focus groups, survey samples, or similar groups. If a hospital facility solicits, but cannot obtain, input from a required source representing the broad interests of the community, the hospital facility's CHNA report must describe the hospital facility's efforts to solicit the input from such source.

Collaboration on CHNA Reports

A hospital facility is permitted to conduct its CHNA in collaboration with other organizations and facilities. This includes related and unrelated hospital organizations and facilities, for-profit and government hospitals, governmental departments, and nonprofit organizations.

In general, every hospital facility must document its CHNA in a separate CHNA report unless it adopts a joint CHNA report. However, if a hospital facility is collaborating with other facilities and organizations in conducting its CHNA, or if another organization has conducted a CHNA for all or part of the hospital facility's community,

portions of a hospital facility's CHNA report may be substantively identical to portions of the CHNA reports of a collaborating hospital facility or other organization conducting a CHNA, if appropriate under the facts and circumstances.

If two hospital facilities with overlapping, but not identical, communities collaborate in conducting a CHNA, the portions of each hospital facility's CHNA report relevant to the shared areas of their communities might be identical. So, hospital facilities with different communities, including general and specialized hospitals, may collaborate and adopt substantively identical CHNA reports to the extent appropriate.

However, the CHNA reports of collaborating hospital facilities should differ to reflect any material differences in the communities served by those hospital facilities. Additionally, if a governmental public health department has conducted a CHNA for all or part of a hospital facility's community, portions of the hospital facility's CHNA report may be substantively identical to those portions of the health department's CHNA report that address the hospital facility's community.

Collaborating hospital facilities may produce a joint CHNA report as long as all of the collaborating hospital facilities define their community to be the same and the joint CHNA report contains all of the same basic information that separate CHNA reports must contain. Additionally, the joint CHNA report must be clearly identified as applying to the hospital facility.

CHNA Report: Widely Available

A hospital facility must make its CHNA report widely available to the public. This must be done by making the CHNA report widely available on a Web site and by making a paper copy of the CHNA report available for public inspection upon request and without charge at the hospital facility. Prior CHNA reports must remain widely available to the public, both on a Web site and in paper, until the hospital facility has made two subsequent CHNA reports widely available to the public.

Implementation Strategy

A hospital facility's implementation strategy must be a written plan that, for each significant health need identified, either:

- Describes how the hospital facility plans to address the health need, or
- Identifies the health need as one the hospital facility does not intend to address and explains why it does not intend to address the health need.

Although an implementation strategy must consider all of the significant health needs identified through a hospital facility's CHNA, the implementation strategy is not limited to considering only those health needs and may describe activities to address health needs that the hospital facility identifies in other ways.

Addressing a Significant Health Need

In describing how a hospital facility plans to address a significant health need identified through the CHNA, the implementation strategy must:

- Describe the actions the hospital facility intends to take to address the health need and the anticipated impact of these actions,
- Identify the resources the hospital facility plans to commit to address the health need, and

- Describe any planned collaboration between the hospital facility and other facilities or organizations in addressing the health need.

Not Addressing a Significant Health Need

If the hospital facility does not intend to address a significant health need, providing a brief explanation of its reason for not addressing the health need is sufficient. Reasons for not addressing a significant health need may include, but are not limited to:

- Resource constraints,
- Other facilities or organizations in the community are addressing the need,
- Relative lack of expertise or competencies to effectively address the need,
- A relatively low priority assigned to the need, and/or
- A lack of identified effective interventions to address the need.

Joint Implementation Strategies

As with the CHNA report, a hospital facility may develop an implementation strategy in collaboration with other hospital facilities or other organizations. This includes, but is not limited to related and unrelated hospital organizations and facilities, for-profit and government hospitals, governmental departments, and nonprofit organizations.

In general, a hospital facility that collaborates with other facilities or organizations in developing its implementation strategy must still document its implementation strategy in a separate written plan that is tailored to the particular hospital facility, taking into account its specific resources.

However, a hospital facility that adopts a joint CHNA report may also adopt a joint implementation strategy. With respect to each significant health need identified through the joint CHNA, the joint implementation strategy must either describes how one or more of the collaborating facilities or organizations plan to address the health need, or identify the health need as one the collaborating facilities or organizations do not intend to address. It must also explain why they do not intend to address the health need.

A joint implementation strategy adopted for the hospital facility must also:

- Be clearly identified as applying to the hospital facility,
- Clearly identify the hospital facility's role and responsibilities in taking the actions described in the implementation strategy as well as the resources the hospital facility plans to commit to such actions, and
- Include a summary or other tool that helps the reader easily locate those portions of the joint implementation strategy that relate to the hospital facility.

Adoption of Implementation Strategy

An authorized body of the hospital facility must adopt the implementation strategy. See the discussion of the Financial Assistance Policy below for the definition of an authorized body.

- This must be done on or before the 15th day of the fifth month after the end of the taxable year in which the hospital facility finishes conducting the CHNA.
- This is the same due date (without extensions) of the Form 990

Acquired Facilities

A hospital organization that acquires a hospital facility (through merger or acquisition) must meet the requirements of Section 501(r)(3) with respect to the acquired hospital facility by the last day of the organization's second taxable year beginning after the date on which the hospital facility was acquired.

In the case of a merger that results in the liquidation of one organization and survival of another, the hospital facilities formerly operated by the liquidated organization will be considered "acquired," meaning they will have until the last day of the second taxable year beginning after the date of the merger to meet the CHNA requirements. Thus, the final regulations treat mergers equivalently to acquisitions.

New Hospital Organizations

An organization that becomes newly subject to the requirements of Section 501(r) because it is recognized as described in Section 501(c)(3) and is operating a hospital facility must meet the requirements of Section 501(r)(3) with respect to any hospital facility by the last day of the second taxable year beginning after the latter of:

- The effective date of the determination letter recognizing the organization as described in Section 501(c)(3),
or
- The first date that a facility operated by the organization was licensed, registered, or similarly recognized by a state as a hospital.

New Hospital Facilities

A hospital organization must meet the requirements of Section 501(r)(3), with respect to a new hospital facility it operates by the last day of the second taxable year beginning after the date the facility was licensed, registered, or similarly recognized by its state as a hospital.

Transferred/Terminated Facilities

A hospital organization is not required to meet the requirements of Section 501(r)(3) with respect to a hospital facility in a taxable year if the hospital organization transfers all ownership of the hospital facility to another organization or otherwise ceases its operation of the hospital facility before the end of the taxable year.

The same rule applies if the hospital facility ceases to be licensed, registered, or similarly recognized as a hospital by a state during the taxable year.

By extension, a government hospital organization that voluntarily terminates its Section 501(c)(3) recognition as described in Rev. Proc. 2018-5 (updated annually) is no longer considered a hospital organization for purposes of Section 501(r) and therefore is not required to meet the CHNA requirements during the taxable year of its termination.

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