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Community Catalyst

Large institutions in our communities can not only be an asset economically, they can also be an asset in addressing the health needs of residents. In fact two such institutions, banks and non-profit hospitals, have such a dramatic impact that the federal government has placed a regulatory structure around how that impact is implemented and monitored. Banks have been regulated by the Community Reinvestment Act (CRA) since 1977, while non-profit hospital community benefit has been regulated since 1969, with additional requirements and transparency much more recently as a result of the 2010 Affordable Care Act. While passed under very different circumstances, CRA and community benefit have some similar regulatory structures and policy goals. Understanding these similarities can be informative for the community development and health sectors as they align resources and search for common goals that improve outcomes for low and moderate-income neighborhoods and communities. This side by side comparison was produced in partnership between the **National Alliance of Community Economic Development Associations (NACEDA)** and **Community Catalyst.**

NON-PROFIT HOSPITAL COMMUNITY BENEFIT

COMMUNITY REINVESTMENT ACT (CRA)*

GOAL/ RESPONSIBILITY

Since, 1969, the "community benefit" standard requires non-profit hospitals promote community health, as well as provide charity care (free/discounted care), as part of meeting the requirements in exchange for local, state and federal tax exemptions.

Very generally, community benefit is about improving the overall health and access to care in a community. Specifically, the IRS requires that hospitals engage in "the promotion of health for a class of persons sufficiently large so the community as a whole benefits" (IRS, 2016).

At its best, hospital community benefit focuses on developing programs that involve the community at all levels, and distributes resources to the people in their geographic service area who have the highest needs.

Passed by Congress in 1977, the Community Reinvestment Act (CRA) states that "regulated financial institutions have continuing and affirmative obligations to help meet the credit needs of the local communities in which they are chartered." (NCRC, 2007)

CRA requires them to take affirmative steps to provide equal access to responsible financial products and services to traditionally underserved populations. The Act applies to geographies in which the bank accepts deposits (branches or ATMs).

WHAT COUNTS...

... as a Community Benefit?

1. *The net, unreimbursed costs of charity care (providing free or discounted services to patients who qualify under the hospital's financial assistance policy);*
2. *Participation in means-tested government programs, such as Medicaid;*
3. *Health professions education;*
4. *Health services research;*
5. *Subsidized health services;*
6. *Community health improvement activities;*
7. *Cash or in-kind contributions to other community groups (such as donating funds to a community health screening event or hosting a blood drive); and*
8. *Community building activities, such as: investments in* housing *or* environmental improvements *(health connection must be documented).*

... as an affirmative community reinvestment obligation?

1. *Affordable mortgage programs,*
2. *Small business loan products,*
3. *Community development financing,*
4. *Funding for nonprofit housing and economic development programs, etc.*
5. *Affordable housing (including multifamily rental housing) for low- or moderate-income (LMI) individuals.*
6. *Community services targeted to LMI individuals.*
7. *Activities that promote economic development by financing small businesses or small farms.*
8. *Activities that revitalize or stabilize: LMI geographies, disaster areas, and distressed middle income geographies.*
9. *Loans, investments and services related to the Neighborhood Stabilization Program (NSP)*

NON-PROFIT HOSPITAL COMMUNITY BENEFIT

COMMUNITY REINVESTMENT ACT (CRA)*

SPECIFIC REQUIREMENTS FOR

Nonprofit hospitals:

1. *Conduct a Community Health Needs Assessment (CHNA) at least every three years, with an accompanying Implementation Strategy updated every year;*
2. *Establish a written financial assistance policy for medically necessary and emergency care;*
3. *Comply with specified limitations on hospital charges for those eligible for financial assistance; and*
4. *Comply with specified billing and collections requirements.*

The Department of the Treasury, in consultation with Health and Human Services, submits to Congress an annual report on the levels of charity care, bad debt expenses, unreimbursed costs to beneficiaries of means-tested programs (for example, Medicaid), and unreimbursed costs to non-means-tested program beneficiaries (for example, Medicare). The report also provides the costs incurred by private tax-exempt hospitals for community benefit activities. The first report, containing information from calendar year 2011, was produced in January 2015.

Financial depository institutions:

1. *Federal agencies publish in advance a list of banks that will be evaluated each quarter.*
2. *The CRA regulation establishes various tests for lending institutions of different sizes and a strategic plan option.*
3. *Under each test, examiners rate banks according to their lending records and responsiveness to community needs.*

Banks receive a score based on their evaluations of "outstanding", "satisfactory", "needs to improve", or "substantial non-compliance." (NCRC, 2007)

REGULATORY AGENCY

Internal Revenue Service (IRS)

Many states also have their own community benefit laws that vary substantially from state to state (Hilltop, 2016). See Hilltop Institute's website for what your state laws are

Four federal agencies conduct CRA examinations are:

1. *Office of the Comptroller of the Currency*
2. *Federal Deposit Insurance Corporation*
3. *Federal Reserve Board*

PENALTIES

$50,000 or loss of tax-exempt status

A regulatory agency can delay or deny an institution's request to: merge with another lender, open new branches or expand services due to low scores on lending records and responsiveness to community needs can result in delays or denials of mergers, acquisitions, or expansions of services.

COMMUNITY ROLE

Nonprofit hospitals are required to conduct a CHNA at least once every three years. A CHNA is "a systematic process involving the community to identify and analyze community health needs and assets in order to prioritize these needs, and to plan and act on unmet community health needs" (Community Catalyst, 2016).

As part of this process, hospitals must:

1. *Define the community they serve and assess the health needs of that community.*
2. *Get input from community and public health stakeholders, local government and community representatives.*
3. *Document the CHNA in a written report made widely available to the public*
4. *Outline the prioritized needs identified in the assessment, including the criteria the hospital used to select those priorities.*
5. *Frame an implementation strategy to address the identified needs.*
6. *Get approval of the CHNA and Implementation Strategy by an authorized governing board of the hospital.*

Community contacts are a valuable source of information. Community complaints publicly submitted to regulators are taken very seriously.

Lending institutions can opt for developing a pre-approved strategic plan in lieu of regulator evaluation. The plan can be developed in conjunction with neighborhood organizations that addresses the lending, investment, and service criteria that would otherwise have been part of the evaluation.

The plan must include a "performance context" which establishes:

1. *What CRA opportunities exist,*
2. *What community needs are,*
3. *How other peer banks have performed.*
4. *Demographic, geographic, market, and community needs information, as well as bank capacity. (NCRC, 2007)*

MISSION-DRIVEN

Nonprofit hospitals, by definition, are mission-driven institutions subject to many of the same benefits and responsibilities as other types of nonprofit 501(c)3 organizations.

As for-profit institutions, banks do not have a mission in the same sense as nonprofit hospitals or community organizations. However, banks commonly adopt community investment as a voluntary component of their corporate responsibility mission.

NON-PROFIT HOSPITAL COMMUNITY BENEFIT

COMMUNITY REINVESTMENT ACT (CRA)*

ECONOMIC RESPONSIBILITY

Hospitals not only have a responsibility because of their role in many communities as the largest employer, but also because they are often one of the largest businesses, who subsequently are one of the largest purchasers.

Additionally, if identified by the community during the CHNA, hospitals can (and should) invest in activities reported to the IRS as Community Building activities, which include:

- *Physical improvements and housing*
- *Economic development*
- *Community support*
- *Environmental improvements*
- *Leadership development and training for community members*
- *Coalition building*
- *Community health improvement advocacy*
- *Workforce development*
- *Other activities such as community building activities that protect or improve the community's health or safety that is not described in the categories above.*

CRA explicitly requires banks to adhere to safety and soundness principles when making community investments and loans. In other words, the investments should not put the bank at risk financially.

PLACE-BASED RESPONSIBILITIES

Nonprofit hospitals are often considered anchor institutions. As the Democracy Collaborative defines them, anchor institutions are enterprises--, typically non-profits--that are firmly rooted in their locales. (Howard, 2014) Therefore, they have an economic self-interest in helping ensure that the communities in which they are based are safe, vibrant, and healthy.

Additionally, as part of their CHNA requirement, non-profit hospitals must identify their community and may do this by taking a number of factors into account, such as the geographic area served; target populations; and principal hospital functions, but may not exclude medically underserved, low income, or minority populations who are part of a hospital's patient populations, live in geographic areas in which its patient populations reside (unless they are not part of the facility's target populations) or otherwise should be included.

The hospital CHNA can assess not only significant unmet needs for health care, but also significant *health needs* arising from social conditions such as inadequate access to proper nutrition, housing and "the mitigation of social, environmental, and behavioral factors that influence health, or emergency preparedness." (IRS, 2015) They then must develop an Implementation Strategy that identifies the priority needs they will address, as well as those they will not address and why.

Banks are not tied to a place in the same way as an anchor institution. However, CRA ties them to the economic success of a given geography in ways other for-profit institutions are not.

CRA performance is measured in a bank's assessment area, which must include:

- *Geographies where the bank has its main office, where it accepts deposits, branches, ATMs; and*
- *Surrounding geographies in which the bank has originated or purchased a majority of its loans.*

Larger banks can have 2 or many more separate assessment areas. (NCRC, 2007)

IMPORTANT PARTNERSHIPS

As hospitals are engaging in efforts to improve the health of their communities, they are increasingly being asked to address the social and economic determinants of health, which require partnerships with the community and other stakeholders to truly address. These partnerships should include community members, but could also include CDCs, CDFIs, banks, elected officials, schools, social service agencies and the many others who address community needs.

The Catholic Health Association has recently provided some planning principles and policy considerations for community benefit activities related to addressing the social determinants of health. (Catholic Health Association, 2016)

Important partners include: community development corporations (CDCs), community development financial institutions (CDFIs), community development networks, municipal and tribal governments, and economic development authorities, among others.

OTHER OPPORTUNITIES

Transformation of the health care system as a result of all of the provisions in the 2010 Affordable Care Act, including increased insurance coverage, new models of health delivery, and new payment systems is just in the beginning stages. (IRS, 2016) All of these changes have an impact on hospitals regarding how they invest their community benefit dollars into the communities they serve.

Among these changes are the new transparency requirements for reporting community benefit, which will allow for analysis on types and amounts of community benefit expenditures; the impact of increased insurance coverage on reducing demands for charity care, while increasing costs associated with participating in means-tested government programs (like Medicaid); and geographic variations in the types of benefits provided.

Creativity and risk in CRA-related investments is formally encouraged as part of the bank's evaluation. Investments that are atypical of a community development project but otherwise qualify as a community development activity will receive extra CRA credit.

*Most of the information for CRA came from the National Community Reinvestment Coalition's 2007 CRA Manual.

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