

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/01/2014
POSITION: Oppose
SPONSOR: California Nurses Association, Greenlining Institute

BILL NUMBER: AB 503
AUTHOR: Wieckowski, Bob

BILL SUMMARY: Health facilities: community benefits.

This bill repeals the existing hospital community benefit law, and establishes a new hospital community benefit law to require private nonprofit hospitals and nonprofit multispecialty clinics to complete a community needs assessment, followed by a community benefits plan. In addition, this bill requires private nonprofit facilities to: (1) allocate a minimum of 90 percent of the available community benefit moneys to charity care, as defined, and projects that improve community health for underserved and vulnerable populations, and (2) to allocate a minimum of 25 percent of the available community benefit moneys to community building activities geographically located within underserved and vulnerable populations. This bill permits the moneys to be used for projects that simultaneously meet both of these criteria.

The bill also requires the Office of Statewide Health Planning and Development (OSHPD) to develop reporting criteria and monitor compliance.

FISCAL SUMMARY

To comply with and monitor the provisions of this bill, OSHPD would likely need additional staffing resources (up to 8 permanent positions). Estimated costs are \$1.7 million in 2015-16, \$1.8 million in 2016-17, and \$975,000 thereafter. The increased costs would be funded from the California Health Data and Planning Fund (CHDPF), which is supported by fees charged to licensed health facilities. Current law authorizes OSHPD to adjust fee levels to support the functions of the office. Based on the estimated increased costs to OSHPD, hospital and long term care facility fees would need to be increased by 0.0015 percent beginning in 2017-18.

COMMENTS

The Department of Finance is opposed to this bill because it is unnecessary and will likely increase costs to the state.

There is insufficient evidence that non-profit hospitals are not providing and reporting on community benefits and current law already requires hospitals to conduct a community needs assessment and to report on community benefits provided. In addition, the bill misaligns state and federal law and does not include a mechanism for enforcement. Therefore, the bill results in additional cost to the state without meaningful enforcement protocol.

According to the author's office, California's private nonprofit hospitals are obligated to provide licensed community benefits to maintain their tax-exempt status. However, current state and federal law do not require nonprofit hospitals to provide specific types of community benefits that justify maintaining their tax-exempt status. Additionally, under current law charity care and community benefits are not uniformly defined or measured. The author's office argues that the lack of federal and state law prescribing and

Analyst/Principal A. Coen Date Program Budget Manager Matt Paulin Date
Department Deputy Director Date
Governor's Office: By: Date: Position Approved Position Disapproved
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**BILL ANALYSIS--(CONTINUED)****Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

Wieckowski, Bob

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AB 503

**COMMENTS** (continued)

requiring nonprofit hospitals to provide community benefits does not allow for a determination as to whether meaningful benefits are being delivered.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code
	LA	(Dollars in Thousands)					
	CO	PROP					
	RV	98	FC	2014-2015 FC	2015-2016 FC	2016-2017	
4140/Stwd Hth Pln	SO	No	C	-- C	1,704 C	1,823	0143
1100/Majr Tax Lic	RV	No		----- See Fiscal Summary -----			0143
<u>Fund Code</u>	<u>Title</u>						
0143	Health Data & Planning Fund, CA						