

AMENDED IN SENATE APRIL 23, 2015

AMENDED IN SENATE APRIL 9, 2015

**SENATE BILL**

**No. 346**

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**Introduced by Senator Wieckowski**

February 24, 2015

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An act to amend ~~Sections 127280 and 129050 of, to add and repeal Section 127361 of, and Section 129050 of, to amend, repeal, and add Section 127280 of,~~ to add Chapter 2.6 (commencing with Section 127470) to Part 2 of Division 107 of, *and to add and repeal Section 127361 of,* the Health and Safety Code, relating to health facilities.

LEGISLATIVE COUNSEL'S DIGEST

SB 346, as amended, Wieckowski. Health facilities: community benefits.

Existing law makes certain findings and declarations regarding the social obligation of private nonprofit hospitals to provide community benefits in the public interest, and requires these hospitals, among other responsibilities, to adopt and update a community benefits plan for providing community benefits either alone, in conjunction with other health care providers, or through other organizational arrangements. Existing law requires each private nonprofit hospital, as defined, to complete a community needs assessment, as defined, and to thereafter update the community needs assessment at least once every 3 years. Existing law also requires the hospital to file a report on its community benefits plan and the activities undertaken to address community needs with the Office of Statewide Health Planning and Development. Existing law requires the statewide office to make the plans available to the public. Existing law requires that each hospital include in its community benefits plan measurable objectives and specific benefits.

This bill would declare the necessity of establishing uniform standards for reporting the amount of charity care and community benefits a facility provides to ensure that private nonprofit hospitals and nonprofit multispecialty clinics actually meet the social obligations for which they receive favorable tax treatment, among other findings and declarations.

This bill would require a private nonprofit hospital and nonprofit multispecialty clinic, as defined, to provide community benefits to the public by allocating a specified percentage of the economic value of community benefits to charity health care, as defined, and community building activities, as specified. The bill would, by January 1, 2018, require a private nonprofit hospital or nonprofit multispecialty clinic to develop, in collaboration with the community benefits planning committee, as established, a community health needs assessment that evaluates the health needs and resources of the community. The bill would also require these entities, prior to completing the needs assessment, to develop a community benefits statement and a description of the process for approval of the community benefits plan by the hospital's or clinic's governing board, as specified. The bill would authorize the hospital or clinic to create a community benefits advisory committee for the purpose of soliciting community input. This bill would require the hospital or clinic to make available to the public a copy of the assessment, file the assessment with the Office of Statewide Health Planning and Development, and update the assessment at least every 3 years.

This bill would also require a private nonprofit hospital and nonprofit multispecialty clinic, by April 1, 2018, to develop a community benefits plan that includes a summary of the needs assessment and a statement of the community health care needs that will be addressed by the plan, and list the services, as provided, that the hospital or clinic intends to provide in the following year to address community health needs identified in the community health needs assessments. The bill would require the hospital or clinic to make its community health needs assessment and community benefits plan or community health plan available to the public on its Internet Web site and would require that a copy of the assessment and plan be given free of charge to any person upon request.

This bill would require a private nonprofit hospital or nonprofit multispecialty clinic, after April 1, 2018, ~~every 2 years~~ to *annually* submit a community benefits plan to the Office of Statewide Health

Planning and Development, as specified, and would allow a hospital or clinic under the common control of a single corporation or other entity to file a consolidated plan, as provided. The bill would require that the governing board of each hospital or clinic adopt the community benefits plan and make it available to the public, as specified.

This bill would make the existing law described above inoperative, and would make the new provisions described above operative, upon the certification by the Director of Statewide Health Planning and Development of the adoption of regulations that prescribe a standardized format for community benefits plans, as provided. This bill would subsequently repeal the existing law described above. ~~This~~ *The* bill would require the office to develop and adopt those ~~regulations, regulations by January 1, 2017,~~ to provide technical assistance to help private nonprofit hospitals and nonprofit multispecialty clinics exempt from licensure comply with the community benefits provisions, to make public each community health needs assessment and community benefits plan and any comments received regarding those assessments and plans, to maintain a public calendar of community benefit plan adoption meetings, and to calculate and make public the total value of community benefits provided by hospitals, as specified. This bill would authorize the Office of Statewide Health Planning and Development to assess a civil penalty, as provided, against any hospital or clinic that fails to comply with these provisions. This bill would make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 127280 of the Health and Safety Code
- 2 is amended to read:
- 3 127280. (a) Every health facility licensed pursuant to Chapter
- 4 2 (commencing with Section 1250) of Division 2, except a health
- 5 facility owned and operated by the state, shall each year be charged
- 6 a fee established by the office consistent with the requirements of
- 7 this section.
- 8 (b) Commencing in calendar year 2004, every freestanding
- 9 ambulatory surgery clinic, as defined in Section 128700, shall each
- 10 year be charged a fee established by the office consistent with the
- 11 requirements of this section.

1 (c) The fee structure shall be established each year by the office  
2 to produce revenues equal to the appropriation made in the annual  
3 Budget Act or another statute to pay for the functions required to  
4 be performed by the office pursuant to this chapter, ~~Chapter 2.6~~  
5 ~~(commencing with Section 127470), Article 2 (commencing with~~  
6 ~~Section 127340) of Chapter 2, or Chapter 1 (commencing with~~  
7 ~~Section 128675) of Part 5, and to pay for any other health-related~~  
8 ~~programs administered by the office. The fee shall be due on July~~  
9 ~~1 and delinquent on July 31 of each year.~~

10 (d) The fee for a health facility that is not a hospital, as defined  
11 in subdivision (c) of Section 128700, shall be not more than 0.035  
12 percent of the gross operating cost of the facility for the provision  
13 of health care services for its last fiscal year that ended on or before  
14 June 30 of the preceding calendar year.

15 (e) The fee for a hospital, as defined in subdivision (c) of Section  
16 128700, shall be not more than 0.035 percent of the gross operating  
17 cost of the facility for the provision of health care services for its  
18 last fiscal year that ended on or before June 30 of the preceding  
19 calendar year.

20 (f) The fee for a freestanding ambulatory surgery clinic shall  
21 be established at an amount equal to the number of ambulatory  
22 surgery data records submitted to the office pursuant to Section  
23 128737 for encounters in the preceding calendar year multiplied  
24 by not more than fifty cents (\$0.50).

25 (g) There is hereby established the California Health Data and  
26 Planning Fund within the office for the purpose of receiving and  
27 expending fee revenues collected pursuant to this chapter.

28 (h) Any amounts raised by the collection of the special fees  
29 provided for by subdivisions (d), (e), and (f) that are not required  
30 to meet appropriations in the Budget Act for the current fiscal year  
31 shall remain in the California Health Data and Planning Fund and  
32 shall be available to the office in succeeding years when  
33 appropriated by the Legislature in the annual Budget Act or another  
34 statute, for expenditure under the provisions of this chapter,  
35 ~~Chapter 2.6 (commencing with Section 127470), Article 2~~  
36 ~~(commencing with Section 127430) of Chapter 2, and Chapter 1~~  
37 ~~(commencing with Section 128675) of Part 5, or for any other~~  
38 ~~health-related programs administered by the office, and shall reduce~~  
39 ~~the amount of the special fees that the office is authorized to~~  
40 ~~establish and charge.~~

1 (i) (1) No health facility liable for the payment of fees required  
2 by this section shall be issued a license or have an existing license  
3 renewed unless the fees are paid. A new, previously unlicensed,  
4 health facility shall be charged a pro rata fee to be established by  
5 the office during the first year of operation.

6 (2) The license of any health facility, against which the fees  
7 required by this section are charged, shall be revoked, after notice  
8 and hearing, if it is determined by the office that the fees required  
9 were not paid within the time prescribed by subdivision (c).

10 (j) *This section is inoperative as of the date of the written*  
11 *certification required by paragraph (1) of subdivision (a) of Section*  
12 *127487, and is repealed on January 1 of the year after the year in*  
13 *which it becomes inoperative.*

14 *SEC. 2. Section 127280 is added to the Health and Safety Code,*  
15 *to read:*

16 *127280. (a) Every health facility licensed pursuant to Chapter*  
17 *2 (commencing with Section 1250) of Division 2, except a health*  
18 *facility owned and operated by the state, shall each year be*  
19 *charged a fee established by the office consistent with the*  
20 *requirements of this section.*

21 *(b) Commencing in calendar year 2004, every freestanding*  
22 *ambulatory surgery clinic, as defined in Section 128700, shall*  
23 *each year be charged a fee established by the office consistent*  
24 *with the requirements of this section.*

25 *(c) The fee structure shall be established each year by the office*  
26 *to produce revenues equal to the appropriation made in the annual*  
27 *Budget Act or another statute to pay for the functions required to*  
28 *be performed by the office pursuant to this chapter, Chapter 2.6*  
29 *(commencing with Section 127470), or Chapter 1 (commencing*  
30 *with Section 128675) of Part 5, and to pay for any other*  
31 *health-related programs administered by the office. The fee shall*  
32 *be due on July 1 and delinquent on July 31 of each year.*

33 *(d) The fee for a health facility that is not a hospital, as defined*  
34 *in subdivision (c) of Section 128700, shall be not more than 0.035*  
35 *percent of the gross operating cost of the facility for the provision*  
36 *of health care services for its last fiscal year that ended on or*  
37 *before June 30 of the preceding calendar year.*

38 *(e) The fee for a hospital, as defined in subdivision (c) of Section*  
39 *128700, shall be not more than 0.035 percent of the gross*  
40 *operating cost of the facility for the provision of health care*

1 services for its last fiscal year that ended on or before June 30 of  
2 the preceding calendar year.

3 (f) The fee for a freestanding ambulatory surgery clinic shall  
4 be established at an amount equal to the number of ambulatory  
5 surgery data records submitted to the office pursuant to Section  
6 128737 for encounters in the preceding calendar year multiplied  
7 by not more than fifty cents (\$0.50).

8 (g) There is hereby established the California Health Data and  
9 Planning Fund within the office for the purpose of receiving and  
10 expending fee revenues collected pursuant to this chapter.

11 (h) Any amounts raised by the collection of the special fees  
12 provided for by subdivisions (d), (e), and (f) that are not required  
13 to meet appropriations in the Budget Act for the current fiscal year  
14 shall remain in the California Health Data and Planning Fund  
15 and shall be available to the office in succeeding years when  
16 appropriated by the Legislature in the annual Budget Act or  
17 another statute, for expenditure under the provisions of this  
18 chapter, Chapter 2.6 (commencing with Section 127470), and  
19 Chapter 1 (commencing with Section 128675) of Part 5, or for any  
20 other health-related programs administered by the office, and shall  
21 reduce the amount of the special fees that the office is authorized  
22 to establish and charge.

23 (i) (1) No health facility liable for the payment of fees required  
24 by this section shall be issued a license or have an existing license  
25 renewed unless the fees are paid. A new, previously unlicensed,  
26 health facility shall be charged a pro rata fee to be established by  
27 the office during the first year of operation.

28 (2) The license of any health facility, against which the fees  
29 required by this section are charged, shall be revoked, after notice  
30 and hearing, if it is determined by the office that the fees required  
31 were not paid within the time prescribed by subdivision (c).

32 (j) This section shall be operative on the date of the written  
33 certification required by subdivision (a) of Section 127487.

34 ~~SEC. 2.~~

35 SEC. 3. Section 127361 is added to the Health and Safety Code,  
36 immediately following Section 127360, to read:

37 127361. This article is inoperative as of the date of the written  
38 certification required by paragraph (1) of subdivision (a) of Section  
39 127487, and is repealed on January 1 of the year after the year in  
40 which it becomes inoperative.

1     ~~SEC. 3.~~

2     SEC. 4. Chapter 2.6 (commencing with Section 127470) is  
3 added to Part 2 of Division 107 of the Health and Safety Code, to  
4 read:

5  
6                   CHAPTER 2.6. COMMUNITY BENEFITS

7  
8                   Article 1. Hospital Community Benefits

9  
10     127470. (a) The Legislature finds and declares the following:

11     (1) Access to health care services is of vital concern to the  
12 people of California.

13     (2) Health care providers play an important role in providing  
14 essential health care services in the communities they serve.

15     (3) Notwithstanding public and private efforts to increase access  
16 to health care, the people of California continue to have significant  
17 unmet health needs. Studies indicate that as many as 6.9 million  
18 Californians are uninsured during a year.

19     (4) The state has a substantial interest in ensuring that the unmet  
20 health needs of its residents are addressed. Health care providers  
21 can help address these needs by providing charity care and  
22 community benefits to the uninsured and underinsured members  
23 of their communities.

24     (5) Hospitals have different roles in the community depending  
25 on their mission, governance, tax status, and articles of  
26 incorporation. Private hospitals that are investor owned and have  
27 for-profit tax status pay property taxes, corporate income taxes,  
28 and other taxes, such as unemployment insurance, on a different  
29 basis than nonprofit, district, or public hospitals. Nonprofit health  
30 facilities, including hospitals and multispecialty clinics, as  
31 described in subdivision (l) of Section 1206, receive favorable tax  
32 treatment by the government and, in exchange, assume a social  
33 obligation to provide charity care and other community benefits  
34 in the public interest.

35     (b) It is the intent of the Legislature in enacting this chapter to  
36 provide uniform standards for reporting the amount of charity care  
37 and community benefits provided to ensure that private nonprofit  
38 hospitals and multispecialty clinics operated by nonprofit  
39 corporations, as described in subdivision (l) of Section 1206,

1 actually meet the social obligations for which they receive  
2 favorable tax treatment.

3 127472. The following definitions apply for the purposes of  
4 this chapter:

5 (a) “Community” means the service area or patient population  
6 for which a private nonprofit hospital or nonprofit multispecialty  
7 clinic provides health care services. A private nonprofit hospital  
8 or nonprofit multispecialty clinic ~~shall create a health equity~~  
9 ~~assessment based on the key factors relating to health and mental~~  
10 ~~health disparities and inequities described in paragraph (2) of~~  
11 ~~subdivision (d) of Section 131019.5, and may not define its service~~  
12 ~~area to exclude vulnerable populations, including, but not limited~~  
13 ~~to, medically underserved, low-income, or minority populations~~  
14 ~~who are part of its patient populations, live in geographic areas in~~  
15 ~~which its patient populations reside, otherwise should be included~~  
16 ~~based on the method the hospital facility uses to define its~~  
17 ~~community, or populations described in subdivision (l).~~

18 (b) (1) “Community benefits” means the unreimbursed goods,  
19 services, activities, programs, and other resources provided by a  
20 private nonprofit hospital or nonprofit multispecialty clinic that  
21 addresses community-identified health needs and concerns, ~~and~~  
22 ~~health disparities related to its healthy equity assessment,~~  
23 particularly for people who are uninsured, underserved, or members  
24 of a vulnerable population. Community benefits include, but are  
25 not limited to, ~~charity care, shortfalls in all of the following:~~

26 (A) *Charity care.*

27 (B) *Shortfalls in Medi-Cal, California Children’s Services*  
28 *Program, or county indigent programs at cost up to 125 percent*  
29 *of the Medicare rate for the health care services or items provided*  
30 *on an inpatient basis, an outpatient basis, or through other nonprofit*  
31 *or public outpatient clinics, hospitals, or health care organizations;*  
32 ~~the organizations.~~

33 (C) *The cost of community building activities, the activities for*  
34 *vulnerable populations.*

35 (D) *The cost of community health improvement services and*  
36 *community benefit operations, the operations.*

37 (E) *The cost of school health centers, as defined in Section*  
38 ~~124174, the 124174.~~

1 (F) *The cost of health professions education and training*  
2 *provided without charge to community members or participants,*  
3 ~~amounts participants.~~

4 (G) *Amounts given, with no expectation of reimbursement or*  
5 *repayment, to employees from, or working among, a vulnerable*  
6 *population, for the purpose of satisfying or paying off, in full or*  
7 *in part, preemployment student educational loan obligations,*  
8 ~~subsidized obligations.~~

9 (H) ~~Subsidized health services for vulnerable populations,~~  
10 ~~research, and contributions to community groups, vaccination~~  
11 ~~programs and services for low-income families, chronic~~  
12 ~~populations.~~

13 (I) *Vaccination programs.*

14 (J) *Chronic illness prevention programs and services,*  
15 ~~home-based services for vulnerable populations.~~

16 (K) *Home-based health care programs for low-income families,*  
17 ~~or community-based vulnerable populations.~~

18 (L) ~~Community-based mental health and outreach, the key~~  
19 ~~factors described in paragraph (2) of subdivision (d) of Section~~  
20 ~~131019.5, and assessment programs for vulnerable populations.~~

21 (M) ~~Outreach and assessment programs for low-income families.~~  
22 ~~For purposes of this subdivision, “low-income families” means~~  
23 ~~families or individuals with income less than or equal to 350~~  
24 ~~percent of the federal poverty level. vulnerable populations.~~

25 (2) For purposes of this subdivision, “community building  
26 activities” means the cost of various kinds of community building  
27 activities, including physical improvements and housing, economic  
28 development, community support, environmental improvements,  
29 community health improvement advocacy, coalition building,  
30 workforce development, ~~the key factors described in paragraph~~  
31 ~~(2) of subdivision (d) of Section 131019.5, and leadership~~  
32 ~~development and training for community members.~~

33 (3) (A) For purposes of this subdivision, “charity care” means  
34 the unreimbursed cost to a private nonprofit hospital or nonprofit  
35 multispecialty clinic of providing services to the uninsured or  
36 underinsured, as well as providing health care services or items  
37 on an inpatient or outpatient basis to a financially qualified patient,  
38 as defined in Section 127400, with no expectation of payment.

39 (B) Charity care does not include any of the following:

40 (i) Uncollected fees or accounts written off as bad debt.

- 1 (ii) Care provided to patients for which a public program or  
2 public or private grant funds pay for any of the charges for the  
3 care.
- 4 (iii) Contractual adjustments in the provision of health care  
5 services below the amount identified as gross charges or  
6 “chargemaster” rates by the health care provider.
- 7 (iv) Any amount over 125 percent of the Medicare rate for the  
8 health care services or items provided on an inpatient or outpatient  
9 basis.
- 10 (v) Any amount over 125 percent of the Medicare rate for  
11 providing, funding, or otherwise financially supporting health care  
12 services or items with no expectation of payment provided to  
13 financially qualified patients through other nonprofit or public  
14 outpatient clinics, hospitals, or health care organizations.
- 15 (vi) The cost to a nonprofit hospital of paying a tax or other  
16 governmental assessment.
- 17 (4) “Community benefits” does not include any of the following:
- 18 (A) The unreimbursed cost of providing services to those  
19 enrolled in Medicare or county indigent programs or any goods,  
20 services, activities, programs, or other resources program or activity  
21 for which there is direct offsetting revenue.
- 22 (B) Uncollected fees or accounts written off as bad debt.
- 23 (C) Contractual adjustments in the provision of health care  
24 services below the amount identified as gross charges or  
25 “chargemaster” rates by the health care provider.
- 26 (D) Any amount over 125 percent of the Medicare rate for the  
27 health care services or items provided on an inpatient or outpatient  
28 basis.
- 29 (E) Any amount over 125 percent of the Medicare rate for  
30 providing, funding, or otherwise financially supporting health care  
31 services or items with no expectation of payment provided to  
32 financially qualified patients through other nonprofit or public  
33 outpatient clinics, hospitals, or health care organizations.
- 34 (c) (1) “Community benefits planning committee” means a  
35 committee, designated by a private nonprofit hospital or nonprofit  
36 multispecialty clinic, that oversees the community needs  
37 assessment and the development of the community benefits plan  
38 implementation strategy to meet the community health needs  
39 identified through the community health needs assessment.

1 (2) The community benefits planning committee shall be  
2 composed of the following:

3 (A) One of the following:

4 (i) The governing board of the hospital organization that operates  
5 the hospital facility or a committee or other party authorized by  
6 that governing body to the extent that the committee or other party  
7 is permitted under state law to act on behalf of the governing body.

8 (ii) If the hospital facility has its own governing body and is  
9 recognized as an entity under state law but is a disregarded entity  
10 for federal tax purposes, the governing body of that hospital facility  
11 or other committee or party authorized by that governing body to  
12 the extent that the committee or other party is permitted under state  
13 law to act on behalf of the governing body.

14 (B) At least one individual from the local, tribal, or regional  
15 governmental public health department, or an equivalent  
16 department or agency, with knowledge, information, or expertise  
17 relevant to the health needs of that community.

18 (C) At least one individual from an underserved and vulnerable  
19 population.

20 ~~(d) “Discounted care” means the cost for medical care provided  
21 consistent with Article 1 (commencing with Section 127400) of  
22 Chapter 2.5.~~

23 ~~(e)~~

24 (d) (1) “Direct offsetting revenue” means revenue from goods,  
25 services, activities, programs, or other resources that offsets the  
26 total community benefit expense of the goods, services, activities,  
27 programs, or other resources.

28 (2) “Direct offsetting revenue” includes revenue generated by  
29 the goods, services, activities, programs, or other resources,  
30 including, but not limited to, payment or reimbursement for  
31 services provided to program patients as well as restricted grants  
32 or contributions that the private nonprofit hospital or nonprofit  
33 multispecialty clinic uses to provide a community benefit, such as  
34 a restricted grant to provide financial assistance or fund research.

35 (3) “Direct offsetting revenue” does not include unrestricted  
36 grants or contributions that the private nonprofit hospital or  
37 nonprofit multispecialty clinic uses to provide a community benefit,  
38 nor payments for Medi-Cal, the California Children’s Services  
39 Program, or county indigent programs.

40 ~~(f)~~

1 (e) “Nonprofit multispecialty clinic” means a clinic as described  
2 in subdivision (l) of Section 1206.

3 ~~(g)~~

4 (f) “Office” means the Office of Statewide Health Planning and  
5 Development.

6 ~~(h)~~

7 (g) “Private nonprofit hospital” means a private nonprofit acute  
8 care hospital operated or controlled by a nonprofit corporation, as  
9 defined in Section 5046 of the Corporations Code, that has been  
10 determined to be exempt from taxation under the Internal Revenue  
11 Code. For purposes of this chapter, “private nonprofit hospital”  
12 does not include any of the following:

13 (1) A district hospital organized and governed pursuant to the  
14 Local Health Care District Law (Division 23 (commencing with  
15 Section 32000)) or a nonprofit corporation that is affiliated with  
16 the health care district hospital owner by means of the district’s  
17 status as the nonprofit corporation’s sole corporate member  
18 pursuant to subparagraph (B) of paragraph (1) of subdivision (h)  
19 of Section 14169.31 of the Welfare and Institutions Code.

20 (2) A rural general acute care hospital, as defined in subdivision  
21 (a) of Section 1250.

22 (3) A children’s hospital, as defined in Section 10727 of the  
23 Welfare and Institutions Code.

24 (4) A multispecialty clinic operated by a for-profit hospital,  
25 regardless of its net revenue.

26 ~~(i)~~

27 (h) “Underserved population” or “vulnerable population” means  
28 any of the following:

29 (1) A population that is exposed to medical or financial risk by  
30 virtue of being uninsured, underinsured, or eligible for Medi-Cal  
31 or a county indigent program.

32 (A) “Uninsured” means a self-pay patient as defined in Section  
33 127400.

34 (B) “Underinsured” means a patient with high medical costs,  
35 as defined in Section 127400.

36 ~~(2) A population, including, but not limited to, the following:~~

37 ~~(A) A vulnerable community, as defined by Section 131019.5.~~

38 ~~(B) Individuals with low educational attainment as measured~~  
39 ~~by the percentage of the population over 25 years of age with less~~  
40 ~~than a high school diploma.~~

1 ~~(C) Individuals who suffer from linguistic isolation as measured~~  
2 ~~by the percentage of households in which no one who is 14 years~~  
3 ~~of age or older speaks English with greater than elementary~~  
4 ~~proficiency.~~

5 *(2) Individuals below 400 percent of the federal poverty level,*  
6 *unless the hospital serves a county in which the county has adopted*  
7 *an ordinance to provide financial assistance for health care to*  
8 *individuals with incomes above 400 percent of the federal poverty*  
9 *level, in which case the income threshold for the vulnerable*  
10 *population shall be the income threshold adopted by the county.*

11 *(3) Individuals with limited English proficiency.*

12 ~~(3)~~

13 *(4) A population that meets the definition of disadvantaged*  
14 *community pursuant to Section 39711.*

15 ~~(4) Other populations that are specifically identified in the~~  
16 ~~community health needs assessment required pursuant to Section~~  
17 ~~127475.~~

18 ~~127472.5. The provisions of this chapter, except for Section~~  
19 ~~127487, are operative on the date of the written certification~~  
20 ~~required by paragraph (1) of subdivision (a) of Section 127487.~~

21  
22 Article 2. Community Benefits Statement, Community Health  
23 Needs Assessment, and Community Benefits Plan  
24

25 127473. Private nonprofit hospitals and nonprofit multispecialty  
26 clinics shall provide community benefits to the community as  
27 follows:

28 (a) A minimum of 90 percent of the total economic value of  
29 community benefits shall be allocated to community benefits that  
30 improve community health for underserved and vulnerable  
31 populations or that address a specific need identified in the  
32 community health needs assessment required pursuant to Section  
33 127475. For purposes of this paragraph, community benefits that  
34 improve community health for underserved and vulnerable  
35 populations may include activities, including health professions  
36 education and training, that are not provided exclusively to  
37 underserved and vulnerable populations, if the activity will improve  
38 community health for underserved and vulnerable populations.

39 (b) A minimum of 25 percent of the total economic value of  
40 community benefits shall be allocated to community building

1 activities geographically located within underserved and vulnerable  
2 populations.

3 (c) To meet the requirements of subdivisions (a) and (b),  
4 community benefits shall be allocated for projects that  
5 simultaneously meet both criteria.

6 127474. Prior to completing the community health needs  
7 assessment pursuant to Section 127475, a private nonprofit hospital  
8 or a nonprofit multispecialty clinic shall develop, in collaboration  
9 with the community benefits planning committee, all of the  
10 following:

11 (a) A community benefits statement that describes the hospital's  
12 or clinic's commitment to developing, adopting, and implementing  
13 a community benefits program. The hospital's or clinic's governing  
14 board shall document that it has reviewed the hospital's or clinic's  
15 organizational mission statement and considered amendments to  
16 it that would better align that organizational mission statement  
17 with the community benefits statement.

18 (b) A description of the process for approval of the community  
19 benefits plan by the hospital's or clinic's governing board,  
20 including a declaration that the board and administrators of the  
21 hospital or clinic shall be responsible for oversight and  
22 implementation of the community benefits plan. The board may  
23 establish a community benefits implementation committee that  
24 shall include members of the board, senior administrators, and  
25 community stakeholders.

26 127475. (a) By January 1, 2018, a private nonprofit hospital  
27 or nonprofit multispecialty clinic shall develop, in collaboration  
28 with the community benefits planning committee, a community  
29 health needs assessment that evaluates the health needs and  
30 resources of the community it serves.

31 (b) In conducting its community health needs assessment, a  
32 private nonprofit hospital or nonprofit multispecialty clinic shall  
33 solicit comments from and meet with local government officials,  
34 including representatives of local public health departments. A  
35 private nonprofit hospital or nonprofit multispecialty clinic shall  
36 also solicit comments from and meet with representatives of  
37 vulnerable populations, including diverse racial, ethnic, cultural,  
38 and LGBTQ communities, women's health advocates, mental  
39 health advocates, health and mental health providers,  
40 community-based organizations and advocates, academic

1 institutions, ~~local public health departments, local government~~  
2 ~~entities~~, low-income and vulnerable consumers, health care  
3 providers, registered nurses, community groups representing,  
4 among others, patients, labor, seniors, and consumers, and other  
5 health-related organizations. Particular attention shall be given to  
6 persons who are themselves underserved and who work with  
7 underserved and vulnerable populations. Particular attention shall  
8 also be given to identifying local needs to address racial and ethnic  
9 disparities in health outcomes. A private nonprofit hospital or  
10 nonprofit multispecialty clinic may create a community benefits  
11 advisory committee for the purpose of soliciting community input.

12 (c) In preparing its community health needs assessment, a private  
13 nonprofit hospital or nonprofit multispecialty clinic shall use  
14 available public health ~~data~~: *data, including any health equity*  
15 *assessment conducted by the Office of Health Equity pursuant to*  
16 *Section 131019.5*. A private nonprofit hospital or nonprofit  
17 multispecialty clinic may collaborate with other facilities and health  
18 care institutions in conducting community health needs assessments  
19 and may make use of existing studies in completing their own  
20 needs assessments.

21 (d) Not later than 30 days prior to completing a community  
22 health needs assessment, a private nonprofit hospital or nonprofit  
23 multispecialty clinic shall make available to the public a copy of  
24 the assessment for review and comment.

25 (e) A community health needs assessment shall be filed with  
26 the office. A private nonprofit hospital or a nonprofit multispecialty  
27 clinic shall update its community needs assessment at least every  
28 three years.

29 127476. (a) By April 1, 2018, a private nonprofit hospital or  
30 nonprofit multispecialty clinic shall develop, in collaboration with  
31 the community, a community benefits plan designed to achieve  
32 all of the following outcomes:

33 (1) Access to health care for members of underserved and  
34 vulnerable populations.

35 (2) Addressing of the essential health care needs of the  
36 community, with particular attention to the needs of members of  
37 underserved and vulnerable populations.

38 (3) Creation of measurable improvements in the health of the  
39 community, with particular attention to the needs of members of  
40 underserved and vulnerable populations.

1 (b) In developing a community benefits plan, a private nonprofit  
2 hospital or nonprofit multispecialty clinic shall solicit comments  
3 from and meet with local government officials, including  
4 representatives of local public health departments. A private  
5 nonprofit hospital or nonprofit multispecialty clinic shall also  
6 solicit comments from and meet with health care providers,  
7 community groups representing, among others, patients, labor,  
8 seniors, and consumers, and other health-related organizations.  
9 Particular attention shall be given to persons who are themselves  
10 underserved, who work with underserved and vulnerable  
11 populations or with populations at risk for racial and ethnic  
12 disparities in health outcomes.

13 (c) A community benefits plan shall include, at a minimum, all  
14 of the following:

15 (1) A summary of the needs assessment and a statement of the  
16 community health care needs that will be addressed by the plan.

17 (2) A list of the services the private nonprofit hospital or  
18 nonprofit multispecialty clinic intends to provide in the following  
19 year to address community health needs identified in the  
20 community health needs assessments. The list of services shall be  
21 categorized under the following:

22 (A) Charity care, as defined in subdivision (b) of Section  
23 127472.

24 (B) Other community benefits, including community health  
25 improvement services and community benefit operations, health  
26 professions education, subsidized health services, research, and  
27 contributions to community groups.

28 (C) Community building activities targeting underserved and  
29 vulnerable populations.

30 (3) A description of the target community or communities that  
31 the plan is intended to benefit.

32 (4) An estimate of the economic value of the community benefits  
33 at cost that the private nonprofit hospital or nonprofit multispecialty  
34 clinic intends to provide.

35 (5) A summary of the process used to elicit community  
36 participation in the community health needs assessment and  
37 community benefits plan design, and a description of the process  
38 for ongoing participation of community members in plan  
39 implementation and oversight, and a description of how the  
40 assessment and plan respond to the comments received by the

1 private nonprofit hospital or nonprofit multispecialty clinic from  
2 the community.

3 (6) A list of individuals, organizations, and government officials  
4 consulted during the development of the plan.

5 (7) A description of the intended impact on health outcomes  
6 attributable to the plan, including short- and long-term measurable  
7 goals and objectives.

8 (8) Mechanisms to evaluate the plan's effectiveness.

9 (9) The name and title of the individual responsible for  
10 implementing the plan.

11 (10) The names of individuals on the private nonprofit hospital's  
12 or nonprofit multispecialty clinic's governing board.

13 (11) If applicable, a report on the community benefits efforts  
14 of the preceding year, including the amounts and types of  
15 community benefits provided, in a manner to be prescribed by the  
16 office; a statement of the plan's impact on health outcomes,  
17 including a description of the private nonprofit hospital's or  
18 nonprofit multispecialty clinic's progress toward meeting its short-  
19 and long-term goals and objectives; and an evaluation of the plan's  
20 effectiveness.

21 (d) A private nonprofit hospital or nonprofit multispecialty clinic  
22 may also report on bad debts and Medicare shortfalls. Reporting  
23 bad debts and Medicare shortfalls shall not be reported as  
24 community benefits and shall be calculated based on hospital costs,  
25 not charges.

26 (e) The governing board of a private nonprofit hospital or  
27 nonprofit multispecialty clinic shall adopt the community benefits  
28 plan at a meeting that is open to the public. No later than 30 days  
29 prior to the plan's adoption by the governing board of the private  
30 nonprofit hospital or nonprofit multispecialty clinic, a private  
31 nonprofit hospital or nonprofit multispecialty clinic shall ~~make do~~  
32 *both of the following:*

33 (1) *Make available to the public and to the office, in a printed*  
34 *copy and on its Internet Web site, both of the following: a draft*  
35 *of its community benefits plan, and notice of the date, time, and*  
36 *location of the meeting at which the community benefits plan is to*  
37 *be voted on for adoption by the governing board of the private*  
38 *nonprofit hospital or nonprofit multispecialty clinic.*

39 ~~(1) A draft of its community benefits plan.~~

1 ~~(2) Notice of the date, time, and location of the meeting at which~~  
 2 ~~the community benefits plan is to be voted on for adoption by the~~  
 3 ~~governing board of the private nonprofit hospital or nonprofit~~  
 4 ~~multispecialty clinic.~~

5 (2) *Provide for a process by which the individuals and groups*  
 6 *listed in subdivision (b) may provide written comment on the draft*  
 7 *community benefits plan.*

8 (f) After April 1, 2018, a private nonprofit hospital or nonprofit  
 9 multispecialty clinic ~~shall, every two years,~~ *shall annually* submit  
 10 a community benefits plan that conforms with this chapter and  
 11 subdivisions (b) to (e), inclusive, to the office, no later than 120  
 12 days after the end of the hospital's or clinic's fiscal year.

13 (g) A person or entity may file comments on a private nonprofit  
 14 hospital's or nonprofit multispecialty clinic's community benefits  
 15 plan with the office.

16 (h) A private nonprofit hospital or nonprofit multispecialty  
 17 clinic, under the common control of a single corporation or another  
 18 entity, may file a consolidated plan if *the distinct needs of the*  
 19 *communities served by each hospital in the consolidated plan are*  
 20 *identified, and if* the plan addresses services in all of the categories  
 21 listed in paragraph (2) of subdivision (c) to be provided by each  
 22 hospital or clinic under common control of the corporation or  
 23 entity.

24 127477. A private nonprofit hospital or a nonprofit  
 25 multispecialty clinic that reports community benefits to the  
 26 community shall report on those community benefits in a consistent  
 27 and comparable manner to all other private nonprofit hospitals and  
 28 nonprofit multispecialty clinics.

29 127478. A private nonprofit hospital or a nonprofit  
 30 multispecialty clinic shall make its community health needs  
 31 assessment and community benefits plan available to the public  
 32 on its Internet Web site. A copy of the assessment and plan shall  
 33 be given free of charge to any person upon request.

34  
 35 Article 3. Duties of the Office of Statewide Health Planning  
 36 and Development  
 37

38 127487. (a) (1) ~~The~~ *By January 1, 2017, the* office shall  
 39 develop and adopt regulations to prescribe a standardized format  
 40 for community benefits plans pursuant to this chapter. Immediately

1 following the adoption of those regulations, the director of the  
2 office shall certify the adoption of the regulations in writing, post  
3 the written certification to the office's Internet Web site and deliver  
4 it to the Secretary of State, the Secretary of the Senate, the Chief  
5 Clerk of the Assembly, and the Legislative Counsel.

6 (2) The office shall develop a standardized methodology for  
7 estimating the economic value of community benefits based on  
8 the cost to a private nonprofit hospital or a nonprofit multispecialty  
9 clinic. In no case shall the economic value of community benefits  
10 exceed the actual cost to a private nonprofit hospital or a nonprofit  
11 multispecialty clinic, nor more than 125 percent of the Medicare  
12 rate for the health care services or items provided on an inpatient  
13 basis, an outpatient basis, or through other nonprofit or public  
14 outpatient clinics, hospitals, or health care organizations.

15 (3) In developing standards of reporting on community benefits,  
16 the office shall, to the maximum extent possible, conform to  
17 Internal Revenue Service reporting standards for those data  
18 elements reported to the Internal Revenue Service, but shall also  
19 include those data elements required under this chapter or other  
20 state law, including charity care, as defined in Section 127400.

21 (4) A private nonprofit hospital or nonprofit multispecialty clinic  
22 shall annually file with the office its IRS Form 990, or its successor  
23 form, and the office shall post the form on its Internet Web site.

24 (b) The office shall provide technical assistance to help private  
25 nonprofit hospitals and nonprofit multispecialty clinics comply  
26 with this chapter.

27 (c) The office shall make public a community health needs  
28 assessment and community benefits plan and any comments  
29 received regarding those assessments and plans. The office shall  
30 make these documents available on its Internet Web site.

31 (d) The office shall maintain a public calendar of community  
32 benefit adoption meetings held by the governing board of each  
33 private nonprofit hospital or nonprofit multispecialty clinic. Notice  
34 that includes the Office of Statewide Health Planning and  
35 Development (OSHPD) facility number, name, parent company,  
36 date, time, and location of each meeting shall be posted no later  
37 than 14 days prior to the meeting date.

38 (e) For every year that a community benefits plan is submitted  
39 pursuant to subdivision (f) of Section 127476, the office shall  
40 calculate and make public the total value of community benefits

1 provided by each private nonprofit hospital and nonprofit  
2 multispecialty clinic that reports pursuant to this chapter.

3 127488. The office may assess a civil penalty against a private  
4 nonprofit hospital or nonprofit multispecialty clinic that fails to  
5 comply with this article in the same manner as specified in Section  
6 128770.

7 127489. This ~~chapter~~ *chapter, except for Section 127487*, shall  
8 be operative on the date of the written certification required by  
9 subdivision (a) of Section 127487.

10 ~~SEC. 4.~~

11 *SEC. 5.* Section 129050 of the Health and Safety Code is  
12 amended to read:

13 129050. A loan shall be eligible for insurance under this chapter  
14 if all of the following conditions are met:

15 (a) The loan shall be secured by a first mortgage, first deed of  
16 trust, or other first priority lien on a fee interest of the borrower  
17 or by a leasehold interest of the borrower having a term of at least  
18 20 years, including options to renew for that duration, longer than  
19 the term of the insured loan. The security for the loan shall be  
20 subject only to those conditions, covenants and restrictions,  
21 easements, taxes, and assessments of record approved by the office,  
22 and other liens securing debt insured under this chapter. The office  
23 may require additional agreements in security of the loan.

24 (b) The borrower obtains an American Land Title Association  
25 title insurance policy with the office designated as beneficiary,  
26 with liability equal to the amount of the loan insured under this  
27 chapter, and with additional endorsements that the office may  
28 reasonably require.

29 (c) The proceeds of the loan shall be used exclusively for the  
30 construction, improvement, or expansion of the health facility, as  
31 approved by the office under Section 129020. However, loans  
32 insured pursuant to this chapter may include loans to refinance  
33 another prior loan, whether or not state insured and without regard  
34 to the date of the prior loan, if the office determines that the amount  
35 refinanced does not exceed 90 percent of the original total  
36 construction costs and is otherwise eligible for insurance under  
37 this chapter. The office may not insure a loan for a health facility  
38 that the office determines is not needed pursuant to subdivision  
39 (k).

1 (d) The loan shall have a maturity date not exceeding 30 years  
2 from the date of the beginning of amortization of the loan, except  
3 as authorized by subdivision (e), or 75 percent of the office's  
4 estimate of the economic life of the health facility, whichever is  
5 the lesser.

6 (e) The loan shall contain complete amortization provisions  
7 requiring periodic payments by the borrower not in excess of its  
8 reasonable ability to pay as determined by the office. The office  
9 shall permit a reasonable period of time during which the first  
10 payment to amortization may be waived on agreement by the lender  
11 and borrower. The office may, however, waive the amortization  
12 requirements of this subdivision and of subdivision (g) of this  
13 section when a term loan would be in the borrower's best interest.

14 (f) The loan shall bear interest on the amount of the principal  
15 obligation outstanding at any time at a rate, as negotiated by the  
16 borrower and lender, as the office finds necessary to meet the loan  
17 money market. As used in this chapter, "interest" does not include  
18 premium charges for insurance and service charges if any. Where  
19 a loan is evidenced by a bond issue of a political subdivision, the  
20 interest thereon may be at any rate the bonds may legally bear.

21 (g) The loan shall provide for the application of the borrower's  
22 periodic payments to amortization of the principal of the loan.

23 (h) The loan shall contain those terms and provisions with  
24 respect to insurance, repairs, alterations, payment of taxes and  
25 assessments, foreclosure proceedings, anticipation of maturity,  
26 additional and secondary liens, and other matters the office may  
27 in its discretion prescribe.

28 (i) The loan shall have a principal obligation not in excess of  
29 an amount equal to 90 percent of the total construction cost.

30 (j) The borrower shall offer reasonable assurance that the  
31 services of the health facility will be made available to all persons  
32 residing or employed in the area served by the facility.

33 (k) The office has determined that the facility is needed by the  
34 community to provide the specified services. In making this  
35 determination, the office shall do all of the following:

36 (1) Require the applicant to describe the community needs the  
37 facility will meet and provide data and information to substantiate  
38 the stated needs.

1 (2) Require the applicant, if appropriate, to demonstrate  
2 participation in the community needs assessment required by  
3 Section 127476.

4 (3) Survey appropriate local officials and organizations to  
5 measure perceived needs and verify the applicant's needs  
6 assessment.

7 (4) Use any additional available data relating to existing facilities  
8 in the community and their capacity.

9 (5) Contact other state and federal departments that provide  
10 funding for the programs proposed by the applicant to obtain those  
11 departments' perspectives regarding the need for the facility.  
12 Additionally, the office shall evaluate the potential effect of  
13 proposed health care reimbursement changes on the facility's  
14 financial feasibility.

15 (6) Consider the facility's consistency with the Cal-Mortgage  
16 State Plan.

17 (l) In the case of acquisitions, a project loan shall be guaranteed  
18 only for transactions not in excess of the fair market value of the  
19 acquisition.

20 Fair market value shall be determined, for purposes of this  
21 subdivision, pursuant to the following procedure, that shall be  
22 utilized during the office's review of a loan guarantee application:

23 (1) Completion of a property appraisal by an appraisal firm  
24 qualified to make appraisals, as determined by the office, before  
25 closing a loan on the project.

26 (2) Evaluation of the appraisal in conjunction with the book  
27 value of the acquisition by the office. When acquisitions involve  
28 additional construction, the office shall evaluate the proposed  
29 construction to determine that the costs are reasonable for the type  
30 of construction proposed. In those cases where this procedure  
31 reveals that the cost of acquisition exceeds the current value of a  
32 facility, including improvements, then the acquisition cost shall  
33 be deemed in excess of fair market value.

34 (m) Notwithstanding subdivision (i), any loan in the amount of  
35 ten million dollars (\$10,000,000) or less may be insured up to 95  
36 percent of the total construction cost.

37 In determining financial feasibility of projects of counties  
38 pursuant to this section, the office shall take into consideration  
39 any assistance for the project to be provided under Section 14085.5  
40 of the Welfare and Institutions Code or from other sources. It is

1 the intent of the Legislature that the office endeavor to assist  
2 counties in whatever ways are possible to arrange loans that will  
3 meet the requirements for insurance prescribed by this section.  
4 (n) The project's level of financial risk meets the criteria in  
5 Section 129051.

O