Advancing the public accountability of nonprofit health plans:

GUIDELINES ON COMMUNITY BENEFIT PRACTICES

INTRODUCTION

Nonprofit health plans,[1] many created by nonprofit hospitals during the Depression, have histories rich in the tradition of providing social benefits to their communities. Over the past three decades, however, with increased competition from for-profit health insurers, conversions of some nonprofit health plans to for-profit, and movement from community rating to experience rating of health risks in many parts of the U.S., the community benefits being provided by nonprofit health plans have become less apparent to government, subscribers, other stakeholders, and the general public.

At the same time, with rising health care costs, shifting of those costs by business to employees, cutbacks in government financing and delivery of health care, and growing numbers of uninsured and underinsured individuals and families, unmet community needs are increasing, resulting in greater public scrutiny of and demands for demonstrated community benefits from nonprofit health plans as well as nonprofit health care providers.

Researchers Schlesinger, Gray, and Gusmano recently reported on the results of their research on the nature, scope, and depth of HMO community benefit activities in 1999.[2] While they found that nonprofit health plans were providing broader community benefits, they also

noted wide ranges in the degree of sophistication with which individual organizations approach the community benefit component of their missions.

Purpose of This Report

The Alliance intends that the ideas and concepts presented in this document be used as a tool to motivate and enable nonprofit health plans to improve their community benefit practices. The guidelines are based on the recommendations of Alliance members, taking into consideration the excellent guidance developed over the past decade for nonprofit health care providers by the Catholic Health Association and VHA, Inc.[3]

Special Notes

- Since the bylaws, organization structures, and other circumstances of individual nonprofit health care organizations vary from one community to the next, the guidelines will not be a perfect fit in each instance and must not be construed as prescriptive standards. Rather, they provide a pathway to examining and continuously improving governance.

- Each organization will need to adapt them to its own needs and situation, and should consult legal counsel before and during their implementation regarding federal, state, and local laws defining community benefit standards and reporting requirements.

- The nature and extent of the specific community benefit

- Health plans should encourage their employees at all levels of the organization to voluntarily participate in community organizations and projects, should celebrate their contributions, and should explore whether there are important needs and opportunities to link the organization's community benefit efforts with those of individual volunteers. In assessing and reporting on community benefit programs involving donations of employee time, the organization should distinguish between the paid time that employees devote and the time they volunteer outside work.

- In planning, assessing, and reporting on community benefit programs and activities, the organization should strive to measure their costs and benefits, with certain caveats in mind:

  — Some community benefits may be qualitatively important and should not be discounted just because their results are difficult if not impossible to quantify over a given period of time. For instance, some public advocacy efforts on behalf of the disadvantaged may not bear fruit for an extended period, but require persistence. Nor can one put a value on such intangibles as active participation by community leaders in the organization's governance, or the organization's long-standing commitment to the community "through thick or thin."

  — Some community benefit programs and activities may involve significant resource investments on the part of the organization, the measurement of which should be based on clear and consistent accounting practices throughout the organization.

  — Some community benefit efforts may have significant payoffs for the community and should not be discounted just because they do not require significant resources or subsidies from the plan, such as writing a grant application for another organization in the community.

Before presenting specific principles for planning, implementing, assessing, and reporting on community benefits, it is useful to describe the potential range of community benefits that a nonprofit health plan might conceivably provide or support. This description is intended to promote a common understanding and "language" of community benefits among nonprofit health plans, and may suggest additional avenues to some.

THE POTENTIAL RANGE OF COMMUNITY BENEFITS OF NONPROFIT HEALTH PLANS

Nonprofit health plans are essentially "community investment organizations," serving their patients or members and the broader community, not stockholders. As noted earlier, the nature and extent of the community benefits reflect the needs and priorities of the community and the capabilities of the organization, and may be affected by government requirements as well as local market conditions.

There are two very broad categories of community benefits, summarized as follows:

Specific Community Investments

This is the conventional conceptualization of community benefits: special community programs, activities, or donations—outside of the plan's regular business operations—intended to:

- Help at-risk or underserved population groups[4]—by increasing their access to care, increasing their access to health insurance, or improving their health status, functional status, or quality of life.[5]

- Help the broader community, rather than a specifically targeted group—by increasing their health status or quality of life.

- Improve quality of care and/or reduce costs/waste through specially targeted efforts within the health care system itself, rather than through its standard provider relationships and regular business operations.

All nonprofit health plans can be expected to provide specific community investments. The Appendix illustrates one approach to categorizing these types of investments.

It should be noted that the Appendix includes the provision of safety net insurance products and participation in government programs. Some health plans may consider these as community benefits within their regular business operations, described in the second category to follow, rather than as special community investments.

[4] For example, the poor, the working poor, the uninsured, the underinsured, individuals, small groups, undocumented aliens, the physically disabled, the chronically mentally ill, specific ethnic or racial groups.

[5] Quality-of-life improvements are "community-building" initiatives such as workforce enhancements, housing improvements, and economic development.

Benefits to the Community Derived from Regular Business Operations

Some nonprofit health plans may be able to demonstrate superior operating performance compared to other plans in its community along one or more dimensions, such as the portion of the premium dollar devoted to health care services to members, HEDIS quality indicators, member satisfaction, extensiveness of benefits, accessibility of benefits,[6] or premium levels. Nonprofit health plans that consider provision of safety net insurance products and/or participation in government programs as part of their regular operations may be able to demonstrate that they are experiencing higher enrollment levels in these areas than other health plans in their communities. Some nonprofit health plans may also have, and be sharing with others, innovations in medical management or in other areas of operations. Excellent performance represents a benefit to current and potential future subscribers and may "raise the bar" for others, resulting in benefits for the broader community.

Some nonprofit health plans, however, may not be able to demonstrate performance excellence in their regular operations, lacking valid comparable data or being precluded from differentiation due to state regulatory requirements or market conditions. For example, data on premium levels of competing health plans for comparable insurance products may be unavailable, or intense competition may preclude the health plan from making benefits more accessible in terms of certain underwriting practices.

It is recommended that all nonprofit health plans at least investigate whether it is feasible to achieve and report on particular areas of performance excellence in their regular business operations.

SPECIFIC GUIDELINES

To follow are basic principles recommended as best practice guidelines for nonprofit health plans in planning, implementing, assessing, and reporting on their community benefits.

I. Board and Executive Roles and Commitments

A. The Board has adopted, regularly reviews, and ensures the broad dissemination both internally and externally of a statement[7] that includes its definition of community benefits and describes the organization's commitment to a formal community benefit program, integrated with other aspects of operations, as an essential component of its mission and as an essential dimension of performance. The organization's community benefit definition encompasses some or all of the elements presented in the previous section.

B. The Board approves on a regular basis the organization's multiyear strategic plan as well as the annual operating plan and budgets developed by executive management, with review of the strategic plan at least once a year for any needed major adjustments. Community benefit programs and services are explicitly described in plans and budgets.

C. Board meetings are primarily devoted to important strategic and policy matters, including community benefit goals, progress, and results.

D. An important criterion for selecting individual Board members and the Chief Executive Officer (CEO) is their community benefit orientation, and an important criterion for the Board's overall self-assessment and assessment of the CEO is community benefit performance.

E. Compensation for the Chief Executive Officer, as well as other executives, managers, and staff as appropriate, is linked in part to community benefit performance.

F. The orientation programs for new Board members and new employees include a summary of the organization's community-benefit-related policies and the most current plan and results.

[6] Absence of preexisting condition clauses, waiting periods, or other underwriting-base restrictions.
[7] The statement may be part of the organization's statement of purpose, mission, vision, or values, or it may be a separate policy statement.

G. A lead executive, or a manager reporting to an executive, is assigned the responsibility of coordinating community benefit planning, implementation, assessment, and reporting. This individual is provided with sufficient core resources to effectively carry out this responsibility. While responsibilities for implementation of specific programs, practices, activities, or contributions are assigned as appropriate (e.g., executive management, individual departments, corporate foundation), community benefit is broadly owned throughout the organization.

H. The Board and executives ensure that regular reports are made to key stakeholders, the general public, managers, and staff about the organization's community benefit plan and performance.

II. Collaboration

A. The organization's members and key stakeholders are involved as appropriate in planning, implementing, and/or assessing the community benefit program. Collaborative relationships are developed and maintained with hospitals, physicians, and other health care providers, public health agencies, other public agencies, businesses, church organizations, organizations for specific population groups (e.g., the elderly, children, the disabled, AIDS), civic groups, consumer advocates, and others as appropriate.

B. The organization is actively involved in developing and implementing a broadly supported community-wide plan addressing high priority needs for specific underserved or at-risk population groups within the organization's defined community and/or for its broader community.

III. Planning and Budgeting

A. Community benefit goals and resource commitments reflect a definition of community, community needs/problems, priorities, community assets, and organizational capabilities, and are appropriately balanced with other dimensions of organizational performance.

B. Community is defined and analyzed geographically and demographically, with particular attention to underserved or at-risk populations.

C. Needs are identified b001th p13.047d analetine erfortationinclud13.morbidunity a.morpitunity192(f gr)18m aor

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— Addressing known deficiencies in the quality of health care services that contribute to system waste or increased mortality or morbidity. Examples include community reporting of provider quality performance data, broad-based stakeholder agreement on evidence-based care guidelines, and clinical outcome performance metrics for key conditions and procedures.

E. Specific community investments to meet priority needs are identified, with action plans developed for each, including purpose and description, target group, any community partners/collaborators and the roles of each, timelines, expected outcomes, means of measuring progress and results, staffing and/or other resource requirements, any expected revenues, and person(s) accountable.

F. As part of its community benefit plan, the organization encourages staff to volunteer time for community service, with or without pay, particularly in support of the priority areas identified in the plan. The plan also includes organizational recognition and celebration of staff contributions to community service.

G. Based on the forgoing, an overall community benefit plan and budget are established as part of the organization's overall plan and budget.

IV. Monitoring and Evaluation

A. The organization evaluates on a periodic, regular basis the structure of its community benefit program, including the nature and extent of support from its leadership; resource commitments; relationships/partnerships with community organizations and other stakeholders; updated information about community needs, assets, and problems; the organization's overall priorities and goals for community benefits; and its reporting strategies.

B. The organization regularly monitors and evaluates how well each key component of its community benefit program is being carried out, in terms of: meeting milestones; the overall adequacy as well as efficient use of staff or other resources; the quality and effectiveness of its partnerships in community benefit efforts, including ways in which the organization might be a better partner; and any unanticipated negative consequences of the organization's efforts.

C. Consistent with its mission and fiduciary responsibilities, the organization regularly evaluates where feasible the costs and results of each major component of its community benefits:

- Is the organization able to achieve and demonstrate areas of performance excellence in its regular business operations that benefit current and potential members or the broader community (e.g., medical loss ratios, selected quality indicators, innovative medical management practices, extensiveness of benefit coverage, accessibility of coverage, premium levels)?

- For each of the organization's specific community investments:

— Does it support the organization's mission?

— Does it address an identified, priority, unmet community need?

— Does it explicitly and directly benefit community residents beyond the plan's membership?

— Is it focused on a specific at-risk or underserved population group, intended to increase access to care, increased access to health benefit coverage, improve health status, improved functional status, or improved quality of life? Or is it intended to improve the health status of the broader community or to improve the quality of care or reduce the costs of a targeted provider(s)?

— Does it involve coordination with and support for other community-based organizations that are addressing the same unmet community need or goal?

— Does it focus on the causes of the problem rather than symptoms?

— Does it have an explicit budget in the upcoming fiscal period?

— Does it produce a measurable result, and has it achieved the expected measurable result?

— Even if the costs or subsidies are negligible or the results are intangible, is it nonetheless important from qualitative and commonsense perspectives?

— Would it likely be discontinued if the decision were made on a purely financial basis (i.e., intentionally does not cover its full costs or yield a normal contribution margin)?

— Is it the best approach to addressing the problem?

— Is it credible from the perspectives of members and various stakeholders, so that it is viewed as primarily done in the community's interest rather than in self-interest?

The more the answers to these questions are in the affirmative, the more confident the organization, members, key stakeholders, and the general public can be that it is a worthy community investment.

V. Reporting

A. The organization recognizes multiple reasons for reporting its community benefits both externally and internally: being accountable, demonstrating to all that its actions are consistent with its mission; improving staff morale and commitment; stimulating suggestions for improvements; providing a better understanding of the organization and community needs; informing the general public and targeted groups about available services; and fostering collaboration and participation by others in advocating for and meeting community needs.

B. Through surveys, interviews, focus groups, advisory committees, or other means, the organization regularly gathers and analyzes information about how it is perceived by various stakeholders in order to help determine the most effective means of telling its community benefit story.

C. Specific accounting and other policies guide the organization's categorization, measurement, and reporting of community benefit resource investments and outcomes/results.

D. In its community benefit reporting, the organization includes: its mission and core values; its history of commitment to the community and to identifying and acting on its needs; a description of the current priority problems in the community being addressed; a description of the nature and extent of the community benefits it is providing, including as much information as possible about resource commitments and outcomes/results; and human-interest stories.

E. The organization employs a variety of communication vehicles for reporting community benefit information matched to specific internal and external audiences, including making such information broadly and easily accessible to the general public. Examples of such vehicles are printed annual reports distributed by mail or available on the organization's web site, newsletters, verbal presentations with PowerPoint in a variety of forums (Board meetings, managers' meetings, staff meetings, orientation programs for new staff and new Board [illegible]

- Individuals with high health risks
- Any uninsured individuals or families
- Small groups

Participation in Government Programs, e.g.:

- Medicaid
- Children's health insurance program (CHIP)
- Medicare
- Statewide charity care financing pool

Special Support for Health Care Providers Related to Patient Care or Other Operations, e.g.:

- Free or discounted services to the poor or uninsured
- Services or health care personnel that would not otherwise be available in the community if the decision were made purely on a financial basis
- Information technology to improve quality and/or reduce costs
- Diversity of health care practitioners

Support for Health Professions Education, e.g.:

- Medical students, interns, residents, or fellows
- Nursing students
- Specific types of allied health profession students
- Diversity of health care students

Provision of or Support for Research, e.g.:

- Community health research
- Clinical research
- Health services research

Provision of or Support for Community Health Promotion and Related Services, e.g.:

- Community health education[8]
  - — Preventive
  - — Curative
  - — Palliative
- Health screening
- Support groups

Support for Community Development/Building, e.g.:

- Housing improvement
- Economic development
- Environmental improvement
- Cultural improvements
- Workforce enhancement
- Infrastructure enhancement

Public Advocacy, e.g.:

- Support of laws and regulations intended to improve access to care for the poor or uninsured

The Plan's Internal Community Benefit Infrastructure/Operations, e.g.:

- Dedicated staff, office, equipment, and supplies
- Assessment of community needs and current assets in the community to meet those needs
- Promotion of employee volunteerism in community programs

[8] May include education on the individual's responsibilities.