The Honorable John Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Ave NW
Washington, DC 20224

Dear Commissioner Koskinen:

As Mayor of Chicago, I have made public health a priority of my administration. To promote health in Chicago and across the nation, I urge the IRS to modify Form 990 Schedule H to clarify its definition of a hospital community benefit to explicitly include investments in supportive housing and other programs that address the root causes of health. This clarification would help address critical health needs and reflect the changing landscape of community health.

Chicago’s health plan for the next four years, Healthy Chicago 2.0, recognizes what experts nationwide now understand: community health is determined not just by medical services and individual behavior, but also by social factors such as education, housing, and economic opportunity. Addressing these factors – known as the social determinants of health – has the potential to improve health in a transformative way. Accordingly, hospitals are increasingly looking to broaden their community benefit investments to address these underlying determinants rather than merely subsidizing the care of individual patients. This shift is especially important given that more and more Americans are gaining health insurance due to the Affordable Care Act.

In Chicago, supportive housing is a particularly critical issue. On any given day, our city has an estimated 5,889 homeless residents, 1,243 of whom are unsheltered.\(^1\) While the homelessness count represents a decline of 13% from the previous year and is the lowest in more than a decade, we still have much work to do. We are striving to end homelessness by housing residents in need and providing them with services such as case management, mental health and addiction counseling, job training, and child care. This model of supportive

housing has a significant community health benefit, as the evidence shows that supportive housing leads to improved physical and mental health, more appropriate use of health services, fewer hospital readmissions, and reduced healthcare costs.²

Despite the clear gains of addressing the social determinants of health, many hospitals are unclear on exactly which activities the IRS would count as community benefits to help them justify their tax-exempt status. As you know, activities that validate this status fall under two categories on Form 990 Schedule H: community benefits (Part I) and community-building activities (Part II). A subset of the community benefits category is “community health improvement,” which theoretically should cover social determinants of health but does not explicitly do so. Instead, hospital expenditures that address social factors are generally considered community-building activities that require special justification. There is no clear standard as to how the IRS assesses these justifications.

Although the IRS included a note in its December 2015 newsletter that investments in housing and other areas “may qualify” as community benefits,³ there was no clarifying guidance, nor was there any change in Form 990 or its accompanying instructions. As a result, many hospitals remain unsure of exactly what counts as a community benefit, what does not, and what activities must be specially explained and justified. They are therefore apprehensive about investing in certain activities that would improve community health.

Hospital spending to address the social determinants of health should be consistently counted as community benefits in practice and not just in theory. Accordingly, I urge the IRS to put community-building activities under the category of community benefits, making clear that investments to address the social determinants of health – including supportive housing, explicitly – would count as community benefits. Form 990’s section on community health improvements would be a logical place to put the community-building activities.

This modification to IRS policy and guidance would help ensure hospitals can make much-needed investments in community health. I am confident that with your cooperation, we can significantly improve the health and welfare of Chicagoans and other Americans in need. Thank you for your attention to this matter.

Sincerely,

[Signature]
Mayor

commonwealthfund.org/publications/newsletters/quality-matters/2014/october-november/in-focus
Organizational Co-Signers

Mercy Hospital & Medical Center
Trinity Health System
Presence Health
University of Illinois Hospital & Health Sciences System
Cook County Health & Hospital System
Rush University Medical Center
Saint Anthony Hospital
Roseland Community Hospital
Swedish Covenant Hospital
Catholic Health Association of the United States
All Chicago
Sargent Shriver National Center on Poverty Law
EverThrive Illinois
AIDS Foundation of Chicago
Center for Housing & Health
Thresholds
TASC Inc. (Treatment Alternatives for Safer Communities)
Health & Disability Advocates
Chicago Coalition for the Homeless