# The Virginia Health Enterprise Zone (HEZ) Act of 2020

## Preamble

Health disparities by race/ethnicity and by place of residence are seen throughout the State. Maryland with legislation in 2012 began a HEZ initiative as a four-year pilot program with a budget of $4 million per year. HEZs in that pilot program were defined as contiguous geographic areas where the population experiences poor health outcomes that contribute to racial/ethnic and geographic health disparities, and are small enough for incentives to have a measurable impact.

The purposes of the HEZ Initiative were to:

* Reduce health disparities among racial and ethnic minority populations and among geographic areas;
* Improve health care access and health outcomes in underserved communities; and
* Reduce health care costs and hospital admissions and re-admissions.

To receive designation as an HEZ, community coalitions identified contiguous geographic areas with measurable and documented economic disadvantage and poor health outcomes and proposed a creative plan for targeted investments in community health. Five small HEZ’s were designated from 19 applications.

Researchers at Johns Hopkins Bloomberg School of Public Health found in 2018

“Maryland’s Health Enterprise Zones, state-funded initiatives designed to improve health care outcomes and prevent unnecessary hospitalizations in underserved communities, were associated with large reductions in inpatient stays.”

The study linked the Health Enterprise Zones to a decline of more than 18,000 inpatient stays in the four years of the pilot, and an overall health care cost reduction of about $93 million for an investment of $15 million. This Act in combination with the Ambulatory Surgery Act will attempt to bring the same improvements to Virginia.

This Act is targeted both to increase access to health services in disadvantaged communities with poor public health and to leverage the roles of nurses and physicians to promote community safety and wellbeing such as increased vaccination and the recognition of abuse and human trafficking victims.

It is the sense of the General Assembly that this pilot project shall be designed and executed as closely as possible to the similar project initiated by the state of Maryland as authorized by *Maryland Senate Bill 234, Maryland Health Improvement and Disparities Reduction Act of 2012*, and subsequent revisions and implement lessons learned from that pilot. The Department of Health shall develop establish contact with the Maryland Department of Health and Mental Hygiene and the Maryland Community Health Resources Commission to facilitate the efficient and effective execution of Virginia’s HEZ pilot program.

## Be it enacted

Virginia’s Health Enterprise Zone (HEZ) initiative is established as a four-year pilot program. The pilot shall be initiated in 2020 and shall be conducted 2021 - 2025. It is the intention of the General Assembly that the budget for the pilot 2021 - 2025 shall not exceed $5 million per year, including tax expenditures.

Virginia Health Enterprise Zones shall be eligible for grant-based incentives under the Virginia Enterprise Zone program § 59.1-538 administered by the Virginia Department of Housing and Community Development (DHCD) in addition to funds budgeted for the HEZ program. The Virginia Enterprise Zone (VEZ) program is a partnership between state and local government that encourages job creation and private investment. VEZ accomplishes this by designating Enterprise Zones throughout the state and providing two grant-based incentives, the Job Creation Grant (JCG) and the Real Property Investment Grant (RPIG), to qualified investors and job creators within those zones, while the locality provides local incentives. Virginia Enterprise Zone grants do not count towards the funds budgeted in support of this Act.

The purposes of the HEZ Initiative are to:

* Reduce health disparities among racial and ethnic minority populations and among geographic areas;
* Improve health care access and health outcomes in underserved communities; and
* Reduce health care costs and hospital admissions and re-admissions.

The funding provides financial incentives to recruit and retain health care providers to HEZs, including loan repayment assistance and income tax credits for newly hired practitioners, and hiring tax credits for the employers of new HEZ practitioners and other qualified employees. This money is not transferrable to any other state program separately authorized and funded.

The Department of Health shall issue a public annual report to the Governor and General Assembly on or before October 1 of each year beginning in 2021. The Department of Health shall submit HEZ budget requests for the final two years of the pilot program, including a request for a pilot project evaluation by a third party not affiliated with the project and competent to evaluate such a project.

To receive designation as an HEZ, community coalitions will identify contiguous geographic areas with measurable and documented economic disadvantage and poor health outcomes and propose a creative plan for targeted investments in community health. For an HEZ to be designated by the Health Commissioner, a local health department or departments must apply to the Department of Health with a comprehensive plan to address disparities in a defined geographic area.

The total expenditures in 2020 by the executive branch including funds to support localities for the initiation of the pilot project shall not exceed $2 million.

The total expenditures for state and local employee time and expenses for this pilot project beginning in 2021 shall not exceed $1 million per year from the HEZ budget, of which $750,000 shall be reserved for community health departments and designated non-profit local partners in HEZs selected for the pilot. Federal, local and charitable contributions shall not count towards the pilot program state budget limit. The rest of appropriated funds shall be spent in incentives to address disparities within the HEZ as described below.

Possible incentives within the state HEZ initiative budget that can be utilized to address disparities within the HEZ include:

* Loan assistance repayment;
* Income tax credits including health care practitioner personal income tax credits and employer hiring tax credits. Any tax credits shall be coordinated with and approved by the Virginia Director of Finance. Income tax credits my be an amount to 100% of state income tax.
* Eligible employers participating in the HEZ initiative that hire health care practitioners, community health workers, or interpreters may receive $5,000 per year over a two-year period per employee;
* Grant funding from the Department;
* Priority for receiving funds for establishing an electronic health records program; and
* Incentive payments including hiring bonuses.

## HEZ Legislative Expectations and Deliverables

This legislation establishes the following strategies and expectations for Health Enterprise Zones:

1. Health improvement strategies:

* Increase health care provider capacity (attract practitioners to the HEZs)
* Improve health services delivery
* Effectuate community improvements
* Conduct outreach and education

1. Health outcome expectations:

* Improve health outcomes
* Reduce health disparities (and implicitly, improve minority health)
* Reduce health care costs and hospital admissions and readmissions

Emergency department (ED) visit rates and hospital admission and readmission rates can be strongly affected by the degree of success with which patients can manage their chronic diseases at home. Therefore, a key strategy of the HEZs is to optimize patient self-management of chronic disease. The factors that are required for successful chronic disease management include:

1. Access to a provider. Access involves both affordability (insurance) and availability (provider in the vicinity, who takes one’s insurance, and has convenient hours).
2. Quality care. Quality care requires that a provider accurately assesses the patient’s health issues and develops the appropriate evidence-based treatment plan. Providers should follow established chronic disease management guidelines.
3. Patient-provider communication and patient education. Proper communication and education make it possible for a patient to follow the instructions of a provider after leaving the office. Without the necessary information, patients may not be able to follow the treatment plans.
4. Community support for self-management. Community support, which includes the involvement of case managers and community health workers, provides at-home support, allowing for patients to comply with their treatment plans.

## Tax Credit Criteria

To receive a Health Care Practitioner Income Tax Credit, an applicant must:

1. Be a health care practitioner who is licensed or certified and who provides either:
   1. primary care, including obstetrics, gynecological services, pediatric services, or geriatric services. Primary care practitioners including physicians, physician assistants, social workers, nurses, and nurse practitioners are eligible; or
   2. behavioral health services, including mental health or alcohol and substance abuse services; or
   3. dental services.
2. Accept Medicaid recipients and uninsured patients as demonstrated by attestation; and,
3. Demonstrate cultural, linguistic, and health literacy competency as shown on application.
4. Obtain a Letter of Support from the Health Enterprise Zone.

The Employer Hiring Tax Credit enables employers to receive $5,000 per year over a two-year period per qualified employee.  Employers that hire health care practitioners, community health workers, or interpreters and receive a letter of support from the HEZ where they practice are eligible to apply. Qualified employees must be working in the HEZ for 12 months before the employer can apply for the tax credit.

Each HEZ is responsible for determining who receives a letter of support (LOS) based on HEZ goals and outcomes. The HEZ may develop a criteria for determining who receives a letter of support.

The Department of Health will verify all other eligibility requirements when applications are received.

## Loan Repayment Criteria

The Department of Health shall publish eligibility requirements for loan repayment assistance to Health Enterprise Zone practitioners that shall include:

* Eligible physicians and physicians assistants in the fields of family practice, internal medicine, pediatrics, obstetrics and gynecology, and general psychiatry.
* Awards are for physicians can be up to $25,000 per year for a two-year commitment.
* Awards for physician assistants, social workers, nurses, and nurse practitioners can be up to $10,000 per year for a three year commitment.
* Applications are accepted in the spring (March 1-April 15) and in the fall (September 1-October 15).

## HEZ Standards and Administration

The Health Commissioner and the Insurance Commissioner jointly shall establish and incorporate a standard set of measures regarding racial and ethnic variations in quality and outcomes and track health insurance carriers’ and hospitals’ efforts to combat disparities. In addition, state institutions of higher education that train health care professionals will be required to report to the Governor and General Assembly on their actions aimed at reducing health care disparities.

In support of this initiative, the Department of Health shall publish in 2020 a Health Enterprise Zones Dictionary of Key Terms modeled after the HEZ dictionary published by the state of Maryland.

The Department of Health will hold a public comment period during the summer of 2020 to solicit feedback on the selection criteria for the HEZs, the potential uses of HEZ funding, and the outcome metrics that should be developed to monitor the progress and implementation of the HEZs. This public comment shall be summarized in a Report submitted to the legislature no later than October 1, 2020, along with any recommendations for changes to this Act.

An HEZ is a community or a cluster of contiguous communities that are composed of one or more zip codes. In order to be designated an HEZ, the proposed zip code(s) within a potential HEZ area must meet each of the following four criteria:

1. An HEZ must be a community, or contiguous cluster of communities, defined by zip codes boundaries (one or more multiple zip codes);
2. An HEZ must have a resident population of at least 5,000 individuals\*;
3. An HEZ must demonstrate economic disadvantage by having either:

* A Medicaid enrollment rate above the median value for all Maryland zip codes; or
* A WIC participation rate above the media value for all Maryland zip codes; and

An HEZ must demonstrate poor health outcomes by having either:

* Life expectancy below the media value for all Maryland zip codes; or
* A percentage of low birth weight infants above the median value for all Maryland zip codes.

The Department of Health and the Department of Medical Assistance Services shall coordinate the HEZ initiative and any HEZ designation with:

* the Bureau of Primary Health Care of the federal Health Resources and Services Administration and its Federally Qualified Health Centers;
* the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services;
* County and City Health Departments;
* the Insurance Commissioner; and
* the Virginia Board of Health Professionals

The Department will set the median value for economic disadvantage (Medicaid enrollment or WIC participation) and poor health outcomes (life expectancy or percentage of low birth weight infants) as the eligibility cutoff. An HEZ made up of multiple zip codes must meet these thresholds in each zip code if the values are known.

The overall resident population in a proposed HEZ must total 5,000 individuals or more. If a proposed HEZ is composed of multiple zip code areas, it is not a requirement that each zip code area have a population of 5,000 or more.

Based on these eligibility criteria, many communities in Virginia will be eligible to apply for HEZ designation. The Department of Health shall issue a Call for Proposals in October 2020. The applications will be evaluated by Health Commissioner based on recommendations from the Health Department and the first five HEZs shall be designated in 2020 for a four year pilot evaluation to start in 2021.

## Definitions

A “Health Enterprise Zone” (HEZ) is a zone in Virginia designated by the Department of Health to try new and innovative community-based approaches to health care and reward approaches that reduce health disparities, improve health outcomes, and stabilize and reduce health care costs.