

Community Benefits

"Seek and you shall find"



Justifying the hospital's tax exempt status

Why are we here?

One Hundred Eleventh Congress
of the
United States of America
AT THE SECOND SESSION

Affordable Care Act Section 9007

*Began and held at the City of Washington on Tuesday,
the fifth day of January, ten thousand and ten*

New IRS regulations regarding tax-exempt
hospital organizations

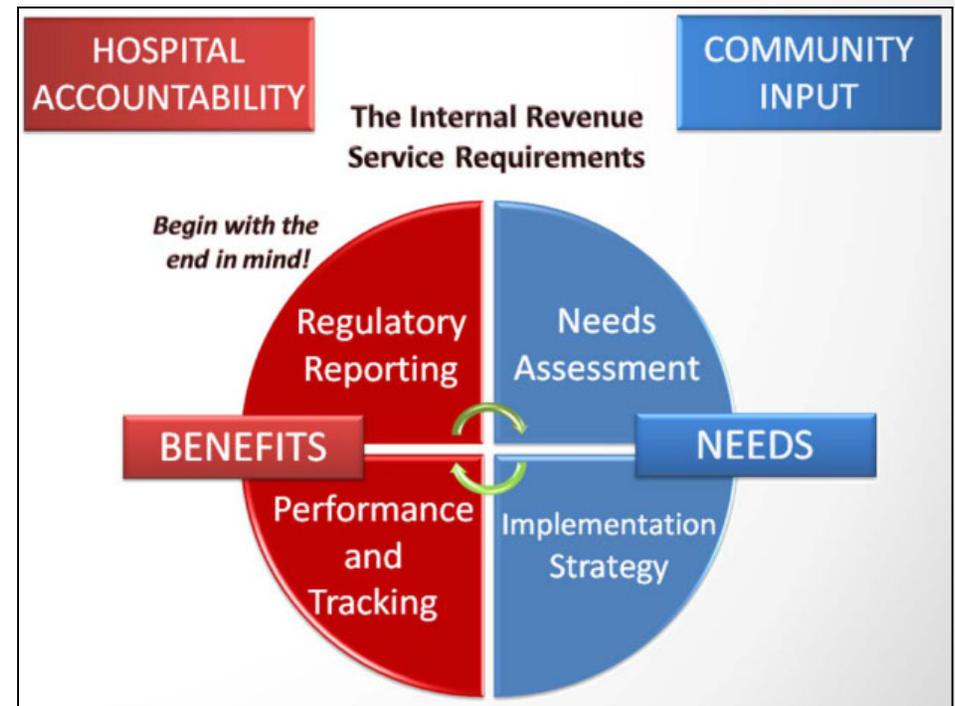
An Act

Entitled The Patient Protection and Affordable Care Act

IRS Regulations

A tax-exempt hospital must justify its exemption by assessing, providing and reporting benefits it provides to the community it serves.

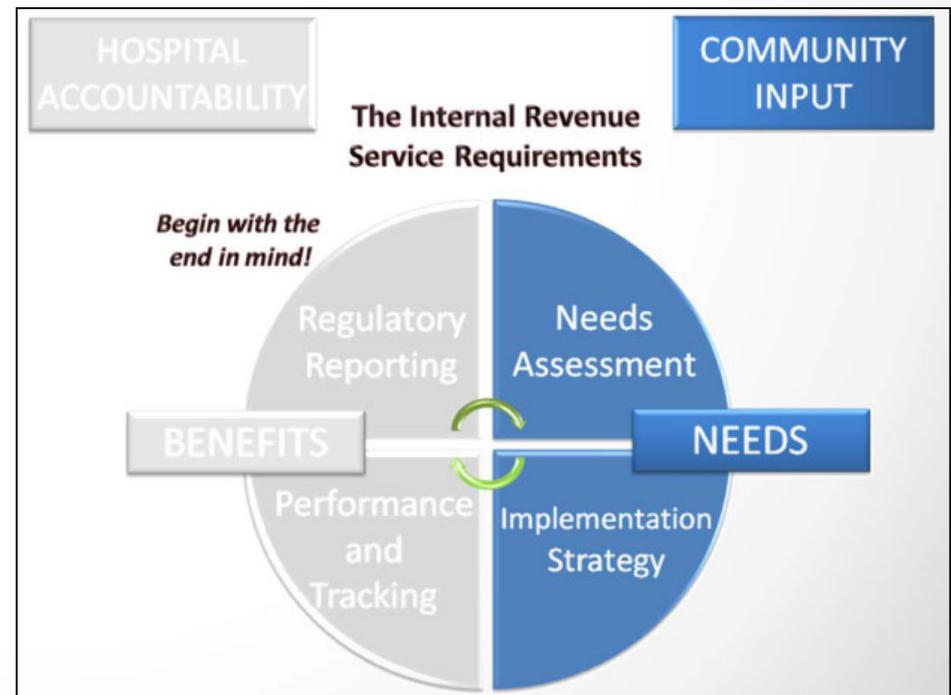
Fee for service patient care is NOT a community benefit!



Community health needs assessment (CHNA)

A CHNA is performed to determine the needs of the community. Input from the community is required.

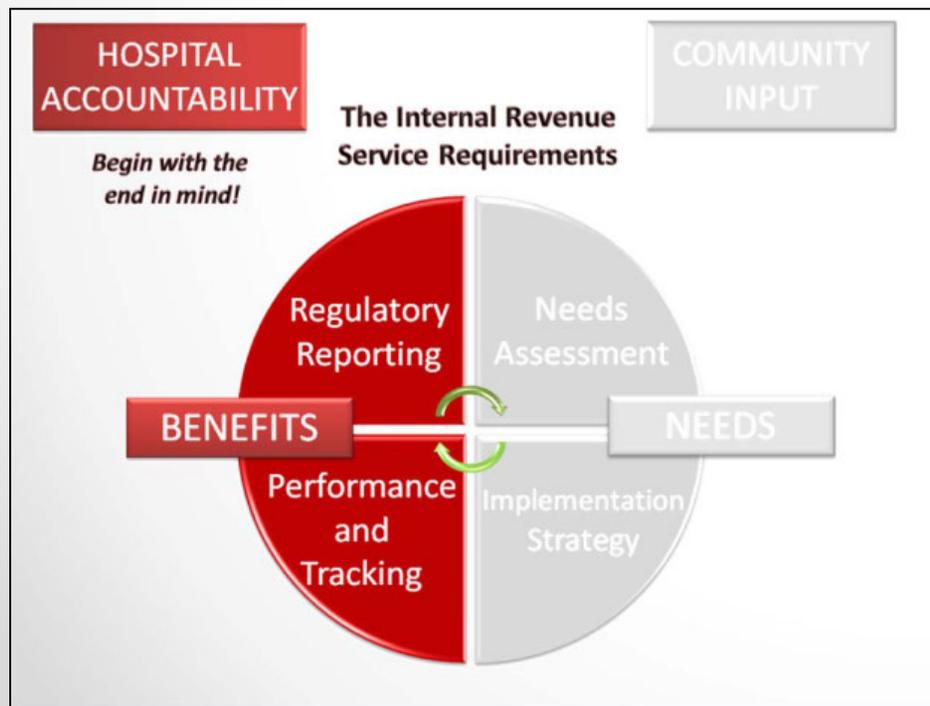
Based on the results of the study, The hospital adopts a strategy to implement a benefit program.



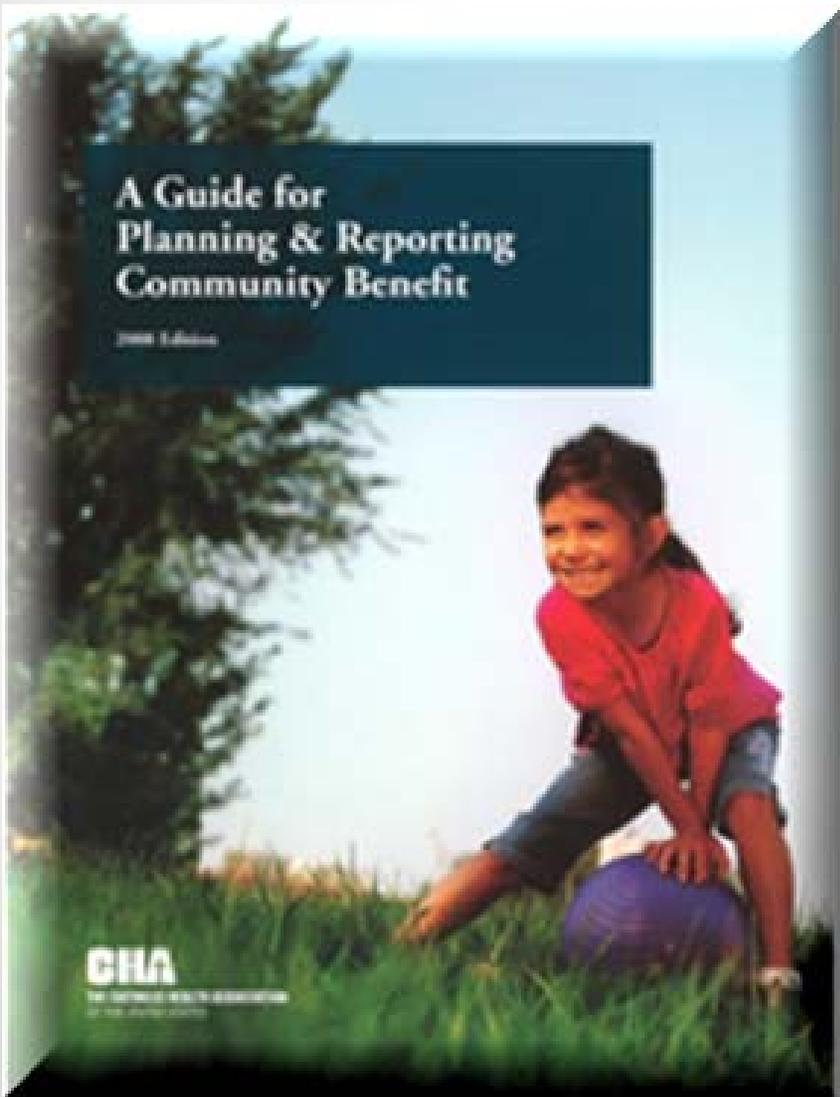
Community benefits

Community benefits provided must be identified, tracked, quantified and reported to the IRS on annual tax

returns. In addition, some States require the submission of community benefit reports.



Planning and reporting benefits



Much of this presentation is based upon guidance offered by the Catholic Health Association.

Why?

Guide can be ordered at:
www.chausa.org/online_store/

Community benefits and CHA

- The Catholic Health Association (CHA) has a rich history of providing benefits to America's communities.
- Increasingly, not-for-profit health care organizations have been challenged to justify their tax-exempt status.
- The government feels that in return for the tax savings received, health care organizations should provide a significant level of benefits to the community.

In order to measure the level of community benefits provided, the Internal Revenue Service has recently introduced NEW community benefit reporting requirements for tax-exempt hospitals.

SCHEDULE H (Form 990)		Hospitals		OMB No. 1545-0047		
Department of the Treasury Internal Revenue Service		▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20. ▶ Attach to Form 990. ▶ See separate instructions.		2010 Open to Public Inspection		
Name of the organization			Employer identification number			
Part I Financial Assistance and Certain Other Community Benefits at Cost						
				Yes	No	
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a				1a		
b If "Yes," was it a written policy?				1b		
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.						
<input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities						
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.						
a Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:				3a		
<input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____%						
b Did the organization use FPG to determine eligibility for providing discounted care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:				3b		
<input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____%						
c If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.						
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?				4		
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?				5a		
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?				5b		
c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?				5c		
6a Did the organization prepare a community benefit report during the tax year?				6a		
b If "Yes," did the organization make it available to the public?				6b		
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.						
7 Financial Assistance and Certain Other Community Benefits at Cost						
	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Financial Assistance and Means-Tested Government Programs						
a	Financial Assistance at cost (from Worksheets 1 and 2)					
b	Unreimbursed Medicaid (from Worksheet 3, column a)					
c	Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b)					
d	Total Financial Assistance and Means-Tested Government Programs					
Other Benefits						
e	Community health improvement services and community benefit operations (from Worksheet 4)					
f	Health professions education (from Worksheet 5)					
g	Subsidized health services (from Worksheet 6)					
h	Research (from Worksheet 7)					
i	Cash and in-kind contributions to community groups (from Worksheet 8)					
j	Total, Other Benefits					
k	Total, Add lines 7d and 7j					

For Paperwork Reduction Act Notice, see the instructions for Form 990. Cat. No. 50192T Schedule H (Form 990) 2010

Community benefits and CHA

Many of the IRS reporting requirements have been modeled after principles and practices in the CHA guidance.



Former IRS commissioners have said for a long time that there is often no discernible difference between the operations of taxable and tax-exempt hospitals. These new provisions are modeled after principles and policies that the Catholic Health Association has had in place for years. I appreciate the association's willingness to have honest, forthright conversations about charitable hospitals' activities. The provisions take steps

Bottom line . . .

If you enjoy tax-exempt status, you have to provide AND report community benefits provided by your organization!

So where do we begin . . . ?







Organize

“The role of the organization’s leaders is to establish and promote the organization’s community benefit vision and ensure an overall culture of commitment to community benefit.”

Source: Catholic Health Association, “A Guide for Planning and Reporting Community Benefit”, Chapter 2

Establish responsibility

- Form a benefit planning workgroup.
 - This is **not** the same workgroup as was used in performing the community health needs assessment.
 - Although community input may be desirable in benefit planning, it is not required.
 - The benefits planned and provided will be for hospital reporting only.

Workgroup members

- Executive leaders (CEO, CFO, CNO)
- Patient financial services
- Community benefits/marketing
- Department volunteers
- Board members (optional)

Try to limit workgroup to no more than eight members

CEO/Administration

- Appoint qualified person to lead team
- Report to governing body about community needs and response to those needs
- Ensure community benefit initiatives are proactive (more than charity care)
- Make community benefit a priority (tone at the top)
- Allow employees time to participate in community benefit activities

Community benefit team leader

- A “point” person should be named and given responsibility for the community benefit program.
- It is advisable NOT to assign the same person who is responsible for marketing.
- In a smaller hospital, this is not expected to be a full-time position.

Community benefit team leader

- Leads community benefit team
- Oversees community assessment
- Coordinates planning and integration of plan into hospital overall strategic plan
- Involves executive leaders, keeps them informed of program progress
- Evaluates program activities
- Works with finance to budget for activities and tracks programs and costs



Finance department

- Be part of community benefit team
- Advise on community benefit budget
- Track, maintain and report to IRS community benefit costs
- Help assess “how much is enough” by comparing tax-exempt benefits to community benefits provided



Patient Financial Services

- Develop/oversee implementation of financial assistance policies and procedures
- Train staff in appropriate interactions with persons needing financial assistance
- Maintain documentation needed to verify eligibility for financial assistance
- Work with CFO to ensure accurate reporting of charity care and bad debts

Communications/marketing

- Be part of community benefit team
- Coordinate efforts to tell community benefit story
- Contribute to community assessment
- Coordinate development of a community benefit report
- Work with media to get word out about community

Community partners

- Develop relationships with third-parties interested in community benefits
 - Access to care
 - Needs of low-income and vulnerable populations
 - Community health improvement
- These parties can form the basis of an external community benefit workgroup.



Plan

“Planning for community benefit programs should be as rigorous and visible as planning for any other strategic initiative.”

Source: Catholic Health Association, “A Guide for Planning and Reporting Community Benefit”, Chapter 3

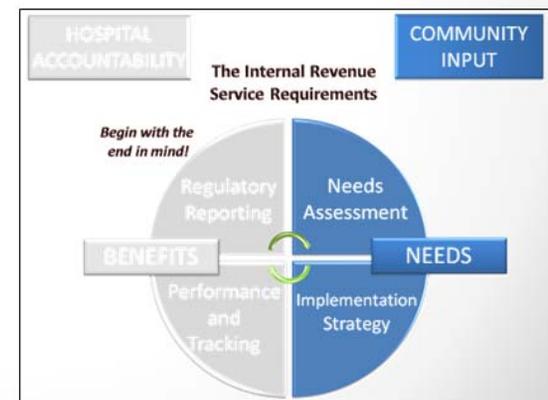
What does community need?

Health needs assessments are performed to identify the health needs of the community. The CHNA forms the basis of the benefit program.

Community health needs assessment (CHNA)

A CHNA is performed to determine the needs of the community. Input from the community is required.

Based on the results of the study, The hospital adopts a strategy to implement a benefit program.



What are you already doing?

Community Benefit Tracking Report	
Submitting Department:	Date:
<i>Instructions:</i> This form is to be used in reporting programs or services that your department provides for the benefit of the community.	
<ul style="list-style-type: none">• The program or service must address a community need.• The program's purpose is to benefit the community rather than the organization.	
What was the name of the program?	<input type="text"/>
Briefly describe:	<input type="text"/>
How did this program benefit the community?	<input type="text"/>
What population in this community did the program target (medically underserved, low income, minority)?	<input type="text"/>
Provide the dates and locations of activities:	<input type="text"/>

Community Benefit Tracking Report
Adapted from Catholic Health Association, *A Guide for Planning & Report Community Benefits*
Page 1 of 3

- Conduct an inventory of community benefit services being provided by the hospital.
- *We will discuss use of form in more detail later in presentation.*

Do current programs qualify?

- Determine if the service is a true community benefit.
- Determine what programs should not be counted and reported as a community benefit.
- Distinguish services for persons living in poverty from those for the broader community.
- Categorize community benefit programs and services.

Planning tools to meet criteria

Community Benefit Planning Tool	
NAME OF PROGRAM: _____	
TYPE OF PROGRAM: To be completed by Community Benefits or Accounting Department.	
<input type="checkbox"/> A. Community health improvement	<input type="checkbox"/> E. Financial contribution
<input type="checkbox"/> B. Health professions education	<input type="checkbox"/> F. Community-building activities
<input type="checkbox"/> C. Subsidized health services	<input type="checkbox"/> G. Community benefit operations
<input type="checkbox"/> D. Research	
Describe program and purpose: _____	
What is the community need for this program?	
<input type="checkbox"/> Program developed in response to a community health needs assessment identified need	
<input type="checkbox"/> Board or management considered need as a primary rationale for the program	
<input type="checkbox"/> Program requested by community member/group and is related to documented need	
<input type="checkbox"/> Research demonstrated need for service	
Does the program meet one the criteria listed below? (At least one must be checked)	
<input type="checkbox"/> generates a low or negative margin	<input type="checkbox"/> responds to public health needs
<input type="checkbox"/> involves education or research that improves community health (see next page also)	
<input type="checkbox"/> responds to needs of special population (state population) _____	
<input type="checkbox"/> supplies services or programs that would likely be discontinued if were made on a purely financial basis	

Community Benefit Planning Tool
Adapted from Catholic Health Association, *A Guide for Planning & Reporting Community Benefits*

Page 1 of 4

Based on CHNA, determine what programs are needed in the community. Can the hospital meet or collaborate with others to meet these needs?

We will discuss use of form in more detail later in presentation.



Identify

“The guiding principle in determining a community benefit is that the activity responds to an identified health-related community need and is not provided primarily for marketing purposes.”

Source: Catholic Health Association, “A Guide for Planning and Reporting Community Benefit”, Chapter 4

Identifying community benefits

- What is a community benefit?
- What is not a community benefit?
- What benefit activities are we performing in our department?
- What benefits can we perform?

What is a community benefit?

- Community benefits **respond to an identified community need** and meet at least one of the following criteria:
 1. Generate a low or negative margin
 2. Respond to needs of special populations, such as minorities, frail elderly, poor, persons with disabilities, chronically mentally ill, and other disenfranchised persons.

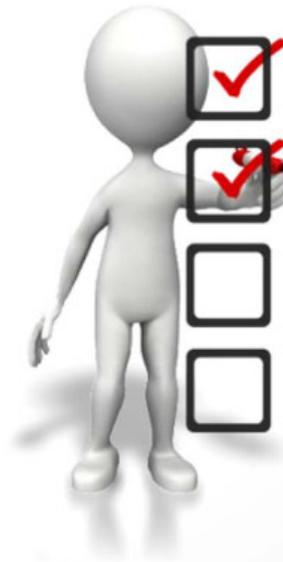
What is a community benefit?

(continued from previous slide)

3. Supply services or programs that would likely be discontinued if the decision were made on a purely financial basis.
4. Respond to public health needs
5. Involves education or research that improves community health

What is a community benefit?

- In addition to the five criteria previously discussed, **identified** community needs should meet one of four objectives.



Community benefit objectives



Community benefit programs or activities must meet at least one of these **objectives**.



Objective is demonstrated when at least one or 4 criteria is met.

1. Program is available broadly to the public.
2. Participants include vulnerable or underserved persons.
3. A barrier to access is reduced or eliminated.
4. The community will lose access to a needed service if the program ceases to exist.



ENHANCE

health of the
community.

Objective is demonstrated when at least one of 5 criteria is met.

1. Program designed around public health goals and principles.
2. Program yields measurable improvements in health status.
3. The community's health status will decline if program ceases to exist.
4. A public health agency provides comparable services (should not duplicate services).
5. Program is operated in collaboration with public health partners.



ADVANCE

medical or
health care
knowledge.

Objective is demonstrated when at least one of 4 criteria is met.

1. Program trains health professionals/students as they advance toward health professional degrees/credentials.
2. Organization does not require trainees to join the staff.
3. Health professional CE programs are open to professionals in the community (not exclusively for staff and physicians).
4. Program involves research, with findings available broadly to the public within a reasonable period of time.



**RELIEVE or
REDUCE**

the burden of
government or
other community
efforts.

Objective is
demonstrated
when at least one
of 5 criteria is met.

1. Program relieves a government financial or programmatic burden.
2. Government provides the same or a similar service (should not duplicate services).
3. Government provides support of the activity (i.e. funding from CMS).
4. If the program were closed, cost to government or another tax-exempt organization would increase.
5. Program receives philanthropic support through community volunteers or contributions.

The benefit program must also meet one of these **criteria** to demonstrate community need.





Identify

- What is a community benefit?
- What is not a community benefit?
- What benefit activities are we performing in our department?
- What benefits can we perform?

NOT community benefit

- Provided primarily for **marketing** purposes.
 - *A seminar on hip replacements to motivate patients needing surgery to choose your hospital for the surgery.*
- Provided under circumstances that an objective, “prudent layperson” would question whether the program truly benefits the community (known as the “laugh test”).
 - *A billboard with the message “ABC123 Hospital wants you to know: Together we can be a healthy city.”*

NOT community benefit

- Unrelated to health or the hospital's mission.
 - *Donating a scoreboard to your local high school.*
- Represents a community benefit provided by another entity or individual.
 - *Activities performed by employees on their own time.*

NOT community benefit

- Benefits the organization more than the community.
 - *A program to generate referrals to your hospital and your physicians.*
- Access to the program is restricted to individuals affiliated with the hospital.
 - *Continuing Medical Education program for only your medical staff.*
 - *Emergency funds for only employees and their families.*

NOT community benefit

- Activity represents a normal “cost of doing business” or is associated with the current standard of care.
 - *Employee benefits such as scholarships*
 - *Human resource activities such as in-service training*
 - *Facility licensure or accreditation requirements such as discharge planning.*



Identify

- What is a community benefit?
- What is not a community benefit?
- What benefit activities are we performing in our department?
- What benefits can we perform?

Resource inventory

- Conduct an inventory of community benefit services
 - Ask departmental staff
 - Review grant applications and reports
 - Review newsletters and report to community



Review current activities

- Do activities meet definition of community benefit?
- Do activities meet a community identified need?



Questionable items that are clearly not a community benefit may jeopardize the credibility of your community benefit efforts and its community benefit reports.



Identify

- What is a community benefit?
- What is not a community benefit?
- What benefit activities are we performing in our department?
- What benefits can we perform?

Community Benefit Categories



Community Benefit Categories

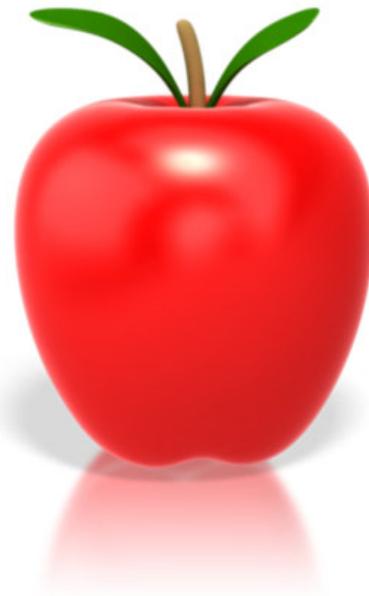


If possible, separate services that assist low-income persons from those directed to the broader community.

Community benefit services

- A. Community Health Improvement
- B. Health Professions Education
- C. Subsidized Health Services
- D. Research
- E. Cash and In-kind Contributions
- F. Community Building Activities
- G. Community Benefit Operations

A. Community Health Improvement Services



A. Community health improvement services

- Is service being provided in response to a community need? **AND**
- Is service's primary purpose to benefit the community, as opposed to the organization? **AND**
- Is service a good use of your community benefit resources?

A. Community health improvement services

- Extend beyond normal patient care activities
- Directed to individuals and larger population
- Do not generate inpatient or outpatient bills
 - May involve a nominal patient fee and/or sliding scale fee.

A. Community health improvement services

A1. Community health education

A2. Community-based clinical services

A3. Health care support services

A1. Community health education

- Includes lectures, presentations, and other group programs and activities apart from clinical or diagnostic services.
- Count as costs
 - Staff time
 - Travel
 - Materials
 - Staff preparation
 - Indirect costs



A2. Community-based clinical services

- Services and screenings provided on a **one-time** basis or **special event** in community.
- Do not include hospital outpatient services.
- Count only if designed to
 - Meet an identified community need OR
 - To improve community health

A3. Health care support services

- Provided by hospital to
 - Increase access of care to individuals
 - Increase quality of care to individuals
- Focus on persons
 - Living in poverty
 - Other vulnerable populations

Community health improvement and community benefit operations

7 Financial Assistance and Certain Other Community Benefits at Cost						
Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education						

Health improvement

Activity* – one for each discrete program
 Persons served* – number of attendees at program event; number of enrollees in ongoing program; broad community program – “one” unless a response mechanism to gauge attendance.

Benefit operations

Activity* – one for each dedicated community benefit department
 Persons served* – not applicable

*recommendation of Catholic Health Association

Community benefit expense

Worksheet 4. Community Health Improvement Services and Community Benefit Operations (Part I, line 7e)

Keep for Your Records 

		(A) Total community benefit expense	(B) Direct offsetting revenue	(C) Net community benefit expense (subtract col. (B) from col. (A) for lines 1-5)
1. Community health improvement services				
a. _____	1a.			
b. _____	1b.			
c. _____	1c.			
d. _____	1d.			
e. _____	1e.			
f. _____	1f.			
g. _____	1g.			
h. _____	1h.			
i. _____	1i.			
j. _____	1j.			
2. Worksheet subtotal (add lines 1a through 1j)		2.		
3. Community benefit operations				
a. _____	3a.			
b. _____	3b.			
c. _____	3c.			
d. _____	3d.			
4. Worksheet subtotal (add lines 3a through 3d)		4.		
5. Worksheet total (add lines 2 and 4; enter amounts from columns (A), (B), and (C) on Part I, line 7e, columns (c), (d), and (e), respectively)		5.		
6. Total expense (enter amount from Form 990, Part IX, Line 25, column (A) and include the organization's share of joint venture expenses)		6.		
7. Percent of total expense (line 5, column (C) divided by line 6; enter amount on Part I, line 7e, column (f)		7.		%

This is a worksheet from the IRS Form 990 instructions. This worksheet is used to determine the net community benefit expense associated with **Community Health Improvement services and Community Benefit operations**. Note the amounts that must be offset against the costs of the benefit program.



Let's exercise our brains!

...

Let's exercise our brains!

A.1 – A.3