

Coping With the IRS Form 990: Community Benefit Reporting for CAHs

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Annual Statewide Flex Meeting

Idaho Flex Program

November 5, 2008

Boise, ID



Flex | University of Minnesota
Monitoring | University of North Carolina at Chapel Hill
Team | University of Southern Maine



Purpose

- Provide an update on the IRS 990, Schedule H community benefit (CB) reporting requirements
- Describe the CB framework used for Form 990
- Review examples of CB activities
- Discuss strategies for CAHs to cope with Form 990 reporting obligations
- Review Flex Monitoring Team CB Indicators Pilot



IRS Form 990, Schedule H

- Final Form released on 12/20/07 with final instructions released on 8/19/08
- Based on CHA standards
- Mandatory for tax-exempt hospitals
- Reporting requirements will be phased in:
 - Tax year 2008: hospitals must complete Part V, providing basic facility information
 - Tax year 2009: hospitals must complete full form with data on CB activities and charity care



Six Parts of Schedule H

- I. Charity care and certain other community benefits
- II. Community building activities
- III. Bad debt, Medicare, and collection practices
- IV. Management companies and joint ventures
- V. Facility Information
- VI. Supplemental information



Community Benefit

- Programs/activities providing treatment or promoting health in response to identified community needs

Key criteria:

- Generates a low or negative margin
- Responds to needs of special populations (e.g., uninsured)
- Supplies a service/program that would likely be discontinued if based on financial criteria
- Responds to public health needs
- Involves education or research that improves overall community health



Key Questions

- Does activity address an identified community need?
- Does it support your community-based mission?
- Is it designed to improve health?
- Does it produce a measurable community benefit?
- Does it survive the “laugh” test?
- Does it require subsidization?
- Given limited resources, would residents chose this activity to improve the health of their community?



When Programs Should Not Be Counted

- Objective, “prudent laypersons” would question whether program truly benefits the community
- Program/donation not related to health or hospital’s mission
- Program represents a community benefit provided by another entity or individual
 - Activities conducted by employees on their own time



When Programs Should Not Be Counted (continued)

- Program benefits hospital more than the community
 - Marketing focused; benefits hospital more than community
- Access to the program is restricted to individuals affiliated with the hospital
 - CME program only for your medical staff
- Activity is a normal “cost of doing business” for not-for-profits and for-profits alike
 - Employee benefits, in-service trainings, licensure requirements, JCAHO accreditation, Minimum-standard translation service



Evidence Supporting Community Need

- Program responds to documented health need/problem
- Board/management considered community needs as a primary rationale for program
- Community stakeholders were involved in program's origins and design
- Measurable improvement in targeted health status can be demonstrated



Evidence Supporting Improved Access to Services

- Program is broadly available to the public
- Access to services would be lost if program ended
- Vulnerable people with demonstrated barriers to access to care benefit from program
- A significant number of vulnerable people in the census's census
- Access barriers are reduced or eliminated



Evidence Supporting Enhanced Population Health

- Program uses public health principles to eliminate health disparities/achieve Healthy People 2010 goals
- Program yields measurable health status improvements
- Public health departments provide comparable services
- Community health status would decline if program closed
- Program operate in collaboration with public health partners



Evidence Supporting Advancement of Knowledge

- Program involves research, with benefits available broadly to the public through papers published on research supported by the hospital
- Education programs are open to community
- Trainees are not required to join hospital staff
- Students advance towards health professions degrees or licenses



Evidence Supporting Charitable Purposes

- Program relieves government's or other tax-exempt organization's burden; their costs would rise if closed
- Government provides same service
- Government explicitly supports activity (NIH)
- Program receives philanthropic support
- Service is rarely performed by a taxable organization
- Program encourages collaboration, even with competitors



Patient Care Related CBs

- **Charity care**
 - Free or discounted services provided to persons who cannot afford to pay and meet criteria for financial assistance.
- **Bad debt**
 - Uncollectible charges from persons that have failed to pay.
- **Government-Sponsored Health Care**
 - Unpaid costs of care provided to Medicaid, SCHIP, local/state public or indigent care programs, and Medicare beneficiaries.



CB: Programs and Activities

- CBs services categories:
 - Community Health Improvement Services
 - Health Professions Education
 - Subsidized Health Services
 - Research
 - Financial and In-Kind Contributions
 - Community-Building Activities
 - Community Benefit Operations



Community Health Improvement Services

- Community health education
 - Lectures, presentations, support groups, self-help programs that are open to the public
- Community-based clinical services
 - Screenings, one-time or occasionally held clinics, health fairs, free clinics, mobile units
- Health care support services; and
 - Enrollment assistance in public programs, information and referral, transportation for vulnerable patient to/from community resources



Health Professions Education

- Physicians/medical students, nurses/nursing students; other health professions
 - Internships and residencies
 - Job shadowing and mentoring projects
 - Scholarships/funding for professional education (for community residents not only hospital staff)
- In-service programs available to all professionals in the community (not just hospital staff)



Subsidized Health Services

- Services provided to the community that are not expected to be self sustaining
 - Emergency and trauma care services
 - Hospital outpatient services
 - Women's and children's services
 - Renal dialysis services
 - Subsidized continuing care
 - Behavioral health services
 - Outpatient palliative care



Research

- Clinical research; and
 - Unreimbursed/unfunded costs of studies on therapeutic protocols
- Community health research.
 - Studies on health issues for vulnerable populations
 - Research studies on innovative health care delivery models



Financial and In-Kind Contributions

- Cash donations; grants; in-kind donations; and cost of fund-raising for community programs
 - Contributions and/or matching funds to not-for-profit organizations
 - Event sponsorship (less cost of benefits received)
 - Meeting space for not-for-profit organizations and groups
 - Services of hospital grant writer to assist local health agencies



Community-Building Activities

- Physical and environmental improvements
 - Community vegetable gardens or walking trails
- Support system and workforce enhancement
 - Recruitment of providers for medically underserved areas
- Leadership development for community members
 - Advocacy training for community members
- Coalition building
 - Disaster preparedness committees
- Community health improvement advocacy
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CB Operations

- Senior staff to manage community benefit program
- Other dedicated staff
- Community health needs/health assets assessments
- Program evaluation
- Administrative resources
- Other resources and expenses



Examples

- Count
 - Immunizations for low income children, health professions education, education programs on managing diabetes, donation to community clinic, health screening program located in low income area
- Don't Count
 - Flue shots for employees, employee in-service education, marking material for hospital diabetes program, donation to symphony, health screening program at upscale mall

Examples

- Count
 - Outreach to help seniors remain in their homes; outpatient and outreach palliative care, donated supplies that have “inventory value”, cost of staff working in a free clinic while on hospital payroll
- Don't Count
 - Routine discharge planning, inpatient pain program, fully depreciated equipment or supplies, value of staff time when they volunteer (or employed part-time) in a free clinic (not on hospital time), long term care facility that loses money due to low census



Examples

- Count
 - Subsidized health services that would represent a true loss of access if not available, taxi vouchers for low-income persons, scholarships for community members
- Don't Count
 - Programs that are “loss leaders”, have few lower-income patients, and for which alternative services are available; Van service between wealthier senior-living centers and only the hospital (rather than community wide programs); scholarships for staff members



Capturing Community Benefits

- CBs are reported in terms of the dollar value of the costs to develop and offer services and programs
- Cost only tell part of the story
 - Data is needed on the outputs and outcomes of CB activities to tell the full story



Preparing for Schedule H

- Form a committee to strategically address the reporting demands of Schedule H
- Study the CHA community benefit accounting framework
- Review current programs and activities to ensure that they meet IRS standards as CBs
- Collect data throughout the year, rather than at year end



Preparing for Schedule H

- Think strategically about CBenefit activities
- Collect outcome and impact data
- Consider the use of IT to facilitate data collection
- Sharpen charity care policies
- Use tax year 2008 as a dry run



Summary: What Counts

- Programs or activities that respond to demonstrated health/related community needs and meet community benefit objectives:
 - Improve access to health services
 - Enhance population health
 - Advance knowledge
 - Demonstrate charitable purpose



Summary: What Doesn't

- Programs or activities that:
 - A “prudent layperson” would question
 - Do not involve hospital resources
 - Benefits the organization more than the community
 - Are not accessible by or available to the public
 - Represent a normal “cost of doing business”
 - Are associated with current standards of care



FMT's Community Impact (CI) Indicators

- Three tiers to encompass all ways in which CAHs impact their communities
 - Service/programs that expand health care access and are unsubsidized, reimbursable by 3rd party payers, and/or self-sustaining
 - Economic benefits of the CAH as an employer and consumer of services and goods in the community
 - Services/program that meet the more tightly defined category of community benefits as defined by the IRS



FMT's Pilot Test of CI Indicators

- Pilot testing with a 3-4 hospitals in 5 states using Stroudwater Associate's RPM system
- Expanding to 5 more states in in late 2008/early 2009
- Plan is to work with other systems in addition to RPM
- Purpose of pilot test is to assist CAHs in collecting CB/CI data, preparing for Form 990, strategic management of CB/CI activities
- Also to evaluate and report on indicators and data collection issues