



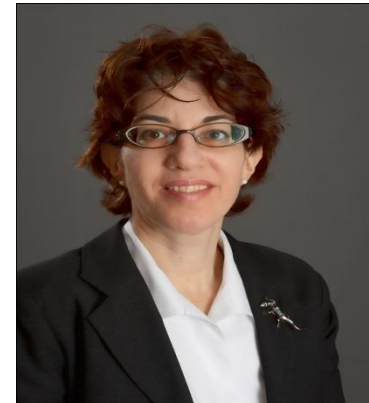
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HOSPITAL COMMUNITY BENEFIT OBLIGATIONS: IMPLICATIONS FOR HEALTH CENTERS AND COMMUNITIES

Introductions:

- **Welcome and Introduction to the RCHN Community Health Foundation Webcast Series**
- *Feygele Jacobs, MPH, MS*
EVP/Chief Operating Officer
RCHN Community Health Foundation



Featured Speaker:

- ***Sara Rosenbaum, J.D.***

Harold and Jane Hirsh Professor of Health Law and Policy

Department of Health Policy

George Washington School of Public Health and Health Services



Featured Speaker:

- ***Maureen Byrnes, M.P.A.***

Lead Scientist

Department of Health Policy

George Washington University School of
Public Health and Health Services



Community Benefit & The Affordable Care Act

- **Improving the health of communities is a central aim of public health, and improving community health is a central tenet of the Affordable Care Act (P.L. 111-148).**
- **Section 9007 of the Affordable Care Act calls for strengthening and clarifying the obligations of nonprofit hospitals to invest in addressing their communities' health needs as a condition of their tax exempt status.**
- **Focus on transparency & accountability.**

The Concept of “Community Benefit”

- **Community Benefit is the obligation of nonprofit hospitals to invest in health and health care in the communities they serve.**
- **Dates to a 1969 IRS policy that broadened the classes of activities in which hospitals could engage - beyond the provision of charity care to include such activities as education, research, and activities that promote community health - in order to maintain their tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.**

Background - Schedule H

- In 2009, the IRS introduced Schedule H, a form that hospitals file along with their annual Form 990. The most recent revision includes five parts:
 - **Part I: Financial Assistance and Certain Other Community Benefits at Cost**
 - **Part II: Community Building Activities**
 - **Part III: Bad Debt, Medicare & Collection Practices**
 - **Part IV: Management Companies and Joint Ventures**
 - **Part V: Facility Information (includes CHNA, Billing and Collections, and Emergency Care)**

Schedule H

SCHEDULE H (Form 990)

Hospitals

OMB No. 1545-0047

2011

Open to Public Inspection

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

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		
1b If "Yes," was it a written policy?		
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? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other %		
3a		
b Did the organization use FPG to determine eligibility for providing discounted care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other %		
3b		
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 programs (optional)	(b) Persons (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)						
b Medicaid (from Worksheet 3, column a)						
c Costs of 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 for community benefit (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

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activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

	Yes	No
1 Enter the amount of the organization's bad debt expense in accordance with the Health Care Financial Management Association statement (HCFMA) 100-001		
2 Enter the amount of the organization's bad debt expense		
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.		

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)		
6 Enter Medicare allowable costs of care relating to payments on line 5		
7 Subtract line 6 from line 5. This is the surplus (or shortfall)		
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

	Yes	No
9a Did the organization have a written debt collection policy during the tax year?		
9b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		

Part IV Management Companies and Joint Ventures (see instructions)

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

Schedule H (Form 990) 2011

Schedule H: Part I

Financial Assistance and Certain Other Community Benefits at Cost includes:

- Financial assistance at cost
- Medicaid costs
- Costs of other means-tested government programs
- Community health improvement services
- Health professions education
- Subsidized health services
- Research
- Cash and in-kind donations for community benefit
- Other

Schedule H: Part II

Community Building Activities include:

- Physical improvements and housing
- Economic development
- Community support
- Environmental improvements
- Leadership development and training for community members
- Coalition building
- Community health improvement advocacy
- Workforce development

Schedule H: Part III

- **Bad Debt expense**
- **Difference between Medicare revenues and costs**
- **Collection Practices**

The Numbers

- In 2012, more than half of all U.S. hospitals operated as nonprofit corporations, and their numbers surpassed 2,900 that year.
- The official estimate developed for Congress in 2002 by the Joint Committee on Taxation places the federal value of the tax exemption at \$12.6 billion.
- An American Hospital Association study estimated that in 2009, hospitals devoted:
 - 11.3% of their total annual expenditures to community benefit investments.
 - Approximately half (5.7% of community benefit expenditures) in financial assistance and expenditures associated with Medicaid participation (which pays less than the cost of care.) Analysis shows that Medicaid losses are the chief source of this investment.
 - One half percent (0.5%) of total hospital expenditures in activities reported as community health improvement.

Section 9007 of The Affordable Care Act

Among new requirements:

- **Community Health Needs Assessments (CHNA)**
- **Implementation Strategy**

Section 9007 specifies that a CHNA:

(i) Must take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health, and

(ii) Is made widely available to the public.

CHNA: 5 Elements

- 1. A description of the community served by the hospital.**
- 2. Description of the process and methods used to conduct the assessment.**
- 3. Description of the sources and dates of the data used and the consultation process the hospital employed in order to secure input from representatives of the community and persons with special knowledge or expertise in public health.**
- 4. Prioritized description of community health needs identified and the process for prioritizing such needs.**
- 5. Description of other community assets for meeting these prioritized needs.**

CHNA (cont'd)

What does widely available mean?

- 1. The website where it is available clearly informs readers that the document is available and provides instructions for downloading it.**
- 2. The document can be viewed, downloaded and printed in a form that “exactly reproduces” the image of the report.**
- 3. Any person can view and download the document without paying a fee.**
- 4. The hospital gives all persons requesting a written version of the report with access to a free download site.**
- 5. The CHNA remains available until it is replaced by a subsequent CHNA.**

Implementation Strategy

- **Describes how the hospital facility plans to meet the prioritized health needs identified in the CHNA.**
- **Identifies health needs that the hospital facility does not intend to meet and explains why the facility is not investing in meeting a particular need.**
- **Must be adopted by an authorized governing body of the hospital organization in the tax year in which it conducts the assessment.**
- **Must be published as an attachment to the hospital facility's annual Form 990.**

Implications/Opportunities

- **Investment potential in community-based health care and community health improvement**
- **Community health center, health center network, and PCA involvement in the planning and implementation strategy process**
- **First plans under development for 2012 tax year**

Implications/Opportunity (cont'd)

- **Availability of resources to invest in public health strategies as broader coverage of the population under health reform moves toward full implementation of the Affordable Care Act, thereby freeing up revenues previously allocated to discounted care.**
- **Making the case for community building activities.**



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Thank You

RCHN Community Health Foundation

www.rchnfoundation.org

1633 Broadway, 18th Floor

New York, New York 10019

Phone: (212) 246-1122 ext712

Email: fjacobs@rchnfoundation.org