HOSPITAL COMMUNITY BENEFIT OBLIGATIONS: IMPLICATIONS FOR HEALTH CENTERS AND COMMUNITIES
Introductions:

- Welcome and Introduction to the RCHN Community Health Foundation Webcast Series

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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.
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

**Hospitals**

<table>
<thead>
<tr>
<th>Name of the organization</th>
<th>Employer identification number</th>
</tr>
</thead>
</table>

### Part I: Financial Assistance and Certain Other Community Benefits Cost

- **1a.** Did the organization have a financial assistance policy during the tax year? **Yes/No**
  - If **Yes,** was it a written policy? **Yes/No**
- **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:
  - Applied only to all hospital facilities
  - Applied uniformly to most hospital facilities
  - Generally tailored to individual hospital facilities

### Part II: Financial Assistance and Certain Other Community Benefits at Cost

<table>
<thead>
<tr>
<th>Financial Assistance and Certain Other Community Benefits at Cost</th>
<th>Number of persons</th>
<th>Number of persons included in the calculation for cost allocated to direct cost allocation</th>
<th>Percent of total expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Financial assistance at cost (from Worksheet 1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Medicaid (from Worksheet 3, column a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Costs of other medicare programs (from Worksheet 1, column a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Total financial assistance and means-tested government programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Community health improvement services and community benefit programs (from Worksheet 5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Health professions education (from Worksheet 5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Subsidized health services (from Worksheet 6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Research (from Worksheet 7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Cash and related contributions for community benefit (from Worksheet 5)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>f. Total, Other Benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Total, Add lines 7d and 7e</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Schedule H Form 990 (2011)**

### Section A. Bad Debt Expense

1. **Total revenue from line 6 of Worksheet 6**
2. **Total expenses from line 6 of Worksheet 6**
3. **Net income or loss from line 6 of Worksheet 6**

### Section B. Medicare

1. **Enter the amount of the organization’s bad debt expense**
2. **Enter the estimated amount of the organization’s bad debt expense attributable to patients eligible under the organization’s financial assistance policy**
3. **Enter in Part VI the total of the footnotes to the organization’s financial statements that describe 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 C. Collection Practices

1. **Describe in Part V how the organization determines the bad debt policy during the tax year**
2. **Describe in Part VI the methodology or source used to determine the amount reported on line 6. Check the box that describes the method used**

For Paperwork Reduction Act Notice, see the Instructions for Form 990.
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
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.
Thank You

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