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2024 Compliance & Internal Audit Conference

Wednesday, December 4 - Friday, December 6, 2024
Mystic Marriott Hotel, Groton, CT



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Community Benefit

Bridging Compliance, Data, and Impact in Healthcare

Learning Objectives

- Understand the strategic importance of community benefit in healthcare organizations

- Explore effective methods for leveraging data to communicate community benefit impact

- Identify components and challenges in conducting a community benefit audit

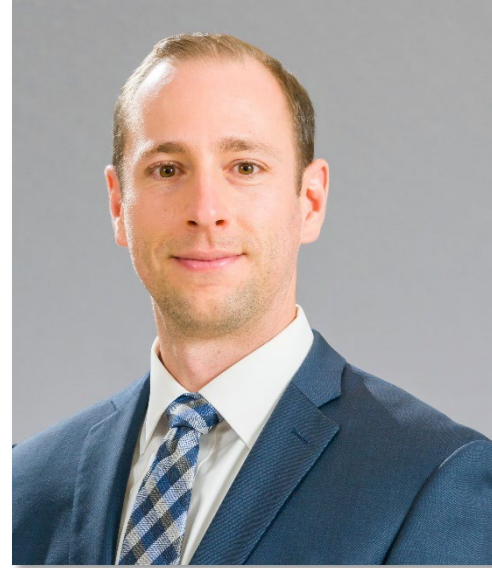
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The speaker's views and opinions are their own. References to products, services, or organizations are for illustrative purposes and do not constitute an endorsement or recommendation.

Attendees are encouraged to seek legal, financial, or their organizations' leadership before acting on any information provided.

Meet the Presenters



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A person wearing a bright green jacket and dark pants stands on a dark, rocky mountain peak. They are looking out over a vast, hazy mountain range with snow-covered slopes and distant peaks under a clear blue sky. The foreground shows the rugged texture of the rock they are standing on.

Community Benefit:
What is it and why is
it important?

Introduction to Community Benefit

Why is Community Benefit important to tax-exempt hospitals?

Tax-exempt hospitals must show that they benefit the community and the public by promoting the health of the community to maintain their tax-exempt status under section 501(c)(3).

When and where did the Community Benefit requirement originate?

Nearly 50 years ago, the IRS in Rev. Rul. 69-545 stated that a hospital must show that it benefits the community and the public by promoting the health of the community (community board, open medical staff, full-time emergency room, the admission of all types of patients, etc.) This “community benefit standard” is the principal means by which tax-exempt hospitals justify their exempt status and differentiate themselves from their for-profit counterparts.



Introduction to Community Benefit

How is Community Benefit defined?

The primary components of community benefit are uncompensated care (financial assistance and Medicaid shortfall), medical education, medical research, and other community programs. Community benefit excludes bad debt, Medicare shortfalls, and community building.

How is Community Benefit measured and reported?

Community benefit is reported to the IRS on Form 990, Schedule H as a percentage of annual patient operating expenses.

What impact has 501(r) had on Community Benefit requirements?

Public controversy over whether nonprofit hospitals provided adequate community benefits to justify their tax exemption gave rise to Congressional consideration of the issue between 2005 and 2009. Under the leadership of Senators Grassley and Baucus, key committees gathered extensive testimony that ultimately informed Congressional development of the community benefit standards enacted as part of the Affordable Care Act (ACA) in 2010 – IRC § 501(r).

Federal Requirements for Tax-Exempt Hospitals

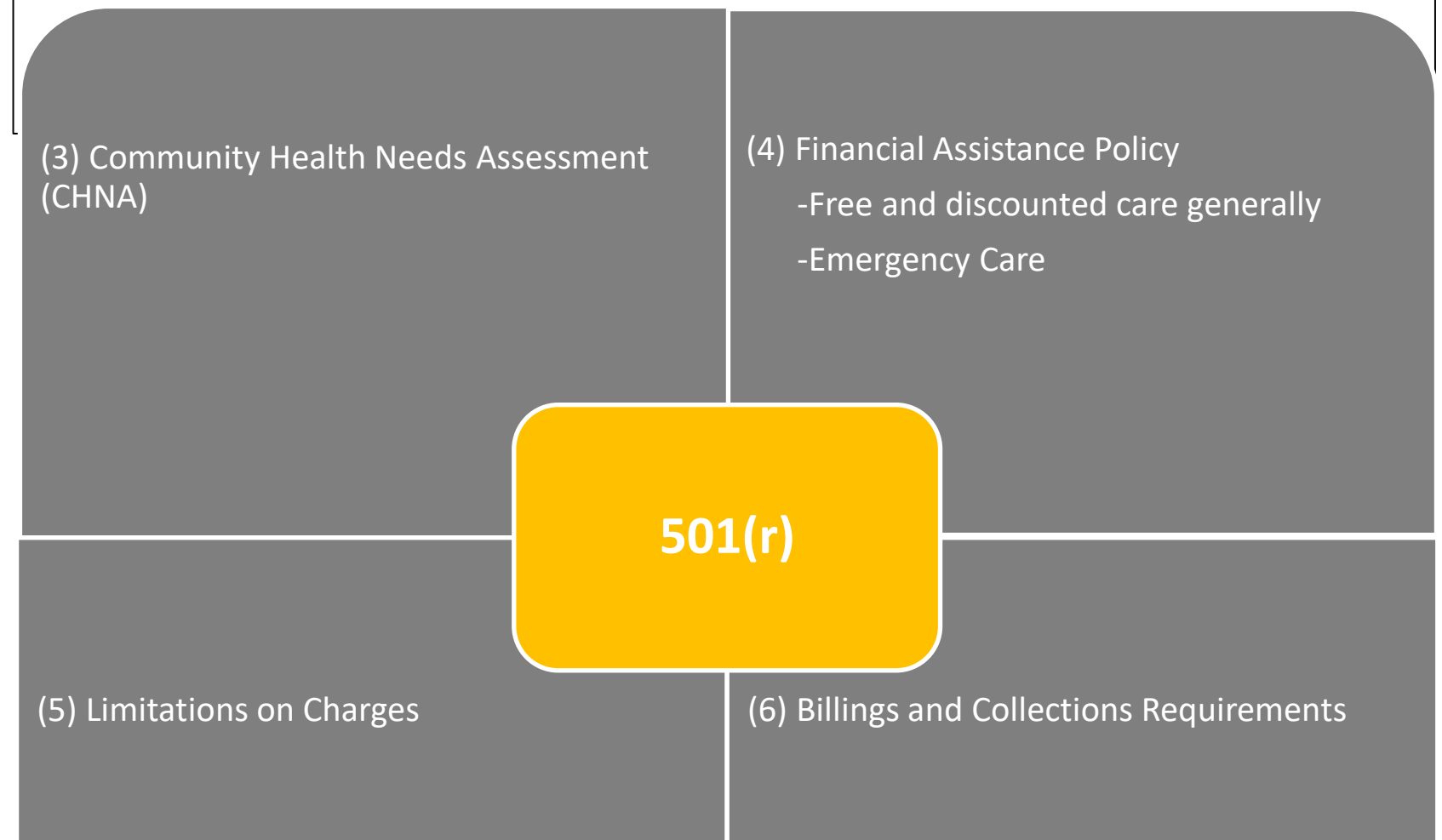
Community Benefit Standard

- Operating an emergency room open to all, regardless of ability to pay
- Maintaining a board of directors drawn from the community
- Maintaining an open medical staff policy
- Providing hospital care for all patients able to pay, including those who pay their bills through public programs such as Medicaid and Medicare
- Using surplus funds to improve facilities, equipment, and patient care; and
- Using surplus funds to advance medical training, education, and research.



IRC §501(r)

- Four specific additional requirements that hospitals must satisfy in order to qualify for tax-exempt status under Section 501(c)(3)



Timeline

2019

February



Senator Grassley sends letters to IRS in February 2018 and February 2019 asking about 501(r) enforcement efforts.

2019

October



Senator Grassley sends a letter to UVA Medical Center inquiring about debt collection practices and compliance with 501(r).

2020

September



GAO report encouraged IRS to improve oversight of tax-exempt hospitals and require facility by facility reporting in Schedule H.

2020

December



Senator Grassley sends another letter to UVA Medical Center.

2023

April



Lown Institute issues its 2023 “Fair Share Spending” report indicating that most hospitals spent less on charity care and community benefit than the value of their tax breaks.

Timeline

2023

April



House Ways & Means Committee held a hearing on tax-exempt hospitals and the community benefit standard.

2023

August



Bipartisan group of Senators sent a letter to IRS and Treasury expressing concern that certain “nonprofit hospitals may be taking advantage of” their tax-exempt

2023

October



Senate HELP Committee releases report asking IRS to mandate charity care and community benefit standards.

2024

April



Nine Democratic members of the House sent a letter to IRS and Treasury calling for new regulations and guidance for nonprofit hospitals.

2024

June



Committee for Responsible Federal Budget encourages lawmakers to reform or repeal the tax advantages for nonprofit hospitals.

With all the Scrutiny – What's Next?

- Understand the value of your organization's tax-exempt status
- Compare the tax benefit of exemption to the amount of community benefit provided
- Be proactive in telling your story
 - Form 990 reporting
 - Community benefit reporting
- Educate stakeholders and leaders on telling your story

IRS Audits

Form 4564	Department of the Treasury Internal Revenue Service Information Document Request	Request Number 02
		Subject: 501(r)(3) Community Health Needs Assessment
		Submitted to:
		Dates of Previous Requests:

- IRS will be starting 35 exams of hospitals this year focused on compliance with Section 501(r) and community benefit standards
- Exams are extensive and much more detailed than compliance checks seen previously
- Exposure:
 - \$50,000 excise tax penalty per year per hospital for not conducting a CHNA
 - Taxation of hospital facility income for failure of 501(r)(4)-(6)
 - Loss of tax-exempt status

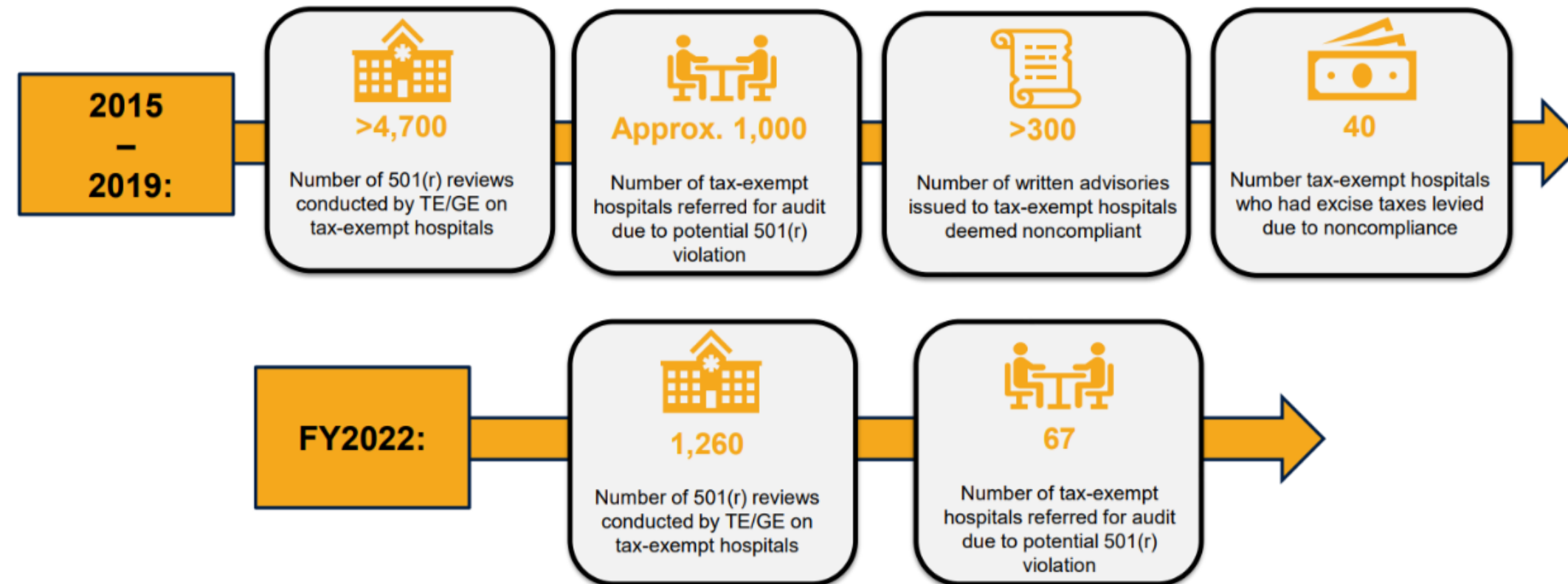
IRS Audit Activity

Over a four-year period from 2015 through 2019, more than 4,700 Community Benefit Activity Reviews (CBAR) were conducted and almost 1,000 tax-exempt hospitals were referred for audit or compliance checks because reviewers identified potential violations.

- As part of that enforcement, more than 300 written advisories were issued and excise taxes on 40 noncompliant hospitals were levied from CBARs and resulting audits from fiscal years 2015 through 2018.

IRS Compliance Projects: Section 501(r) monitoring

The Tax-Exempt & Government Entities Division (“TE/GE”) continues to review tax-exempt hospitals on a rolling three-year basis for adherence to IRC Section 501(r).



Government Accountability Office

GAO Highlights

Highlights of GAO-23-106777, a testimony before the Subcommittee on Oversight, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Slightly more than half of the approximately 5,000 community hospitals in the United States are private, nonprofit organizations. IRS and the Department of the Treasury have recognized the promotion of health as a charitable purpose and have specified that nonprofit hospitals are eligible for a tax exemption. IRS has further stated that these hospitals can demonstrate their charitable purpose by providing services that benefit their communities as a whole.

In 2010, Congress and the President enacted PPACA, which established additional requirements for tax-exempt hospitals to maintain a tax exemption.

This testimony discusses the requirements for a nonprofit hospital to qualify for tax-exempt status and challenges with verifying compliance with some of those requirements, and is based on a report that GAO issued in September 2020. This testimony reflects updated information GAO obtained from IRS regarding its implementation of the recommendations made in that report.

What GAO Recommends

In September 2020, GAO recommended Congress consider specifying what services and activities demonstrate sufficient community benefit. As of April 2023, Congress had not enacted such legislation. GAO also recommended IRS update tax forms to increase transparency about hospitals' community benefits. IRS agreed and made minor adjustments to the form's instructions, but the form still relies on a narrative description of community benefits that hospitals provide.

View GAO-23-106777. For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudj@gao.gov.

April 26, 2023

TAX ADMINISTRATION

IRS Oversight of Hospitals' Tax-Exempt Status

What GAO Found:

Hospitals must satisfy three sets of requirements for a nonprofit tax exemption (see figure) but hospital community benefits are not defined in law.

Requirements for Nonprofit Hospitals to Obtain and Maintain a Tax Exemption

ORGANIZATIONAL AND OPERATIONAL REQUIREMENTS

A hospital must be organized and operate to achieve a charitable purpose—the promotion of health for the benefit of the community.

COMMUNITY BENEFITS

Internal Revenue Service has identified six factors that demonstrate community benefit:

- Operate an emergency room open to all, regardless of ability to pay
- Maintain a board of directors drawn from the community
- Maintain an open medical staff policy that is not limited to certain physicians
- Provide care to all patients able to pay, including those who do so through Medicare and Medicaid
- Use surplus funds to improve facilities, equipment, and patient care
- Use surplus funds to advance medical training, education, and research

PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA) REQUIREMENTS

Hospitals must:

- Conduct a community health needs assessment
- Set a limit on charges
- Maintain a written financial assistance policy
- Set billing and collection limits

IRS must review each tax-exempt hospital's community benefit activities at least once every 3 years.

Source: GAO review of relevant laws and regulations. | GAO-23-106777

In 1969, the Internal Revenue Service (IRS) identified factors that can demonstrate community benefits, but they are not requirements. IRS does not have authority to specify activities hospitals must undertake and makes determinations based on facts and circumstances. As a result, tax-exempt hospitals have broad latitude to determine the community benefit but the lack of clarity creates challenges for IRS in administering

Additionally, the form on which hospitals report community benefit information inconsistently, resulting in a lack of transparency. Hospitals may describe the use of surplus funds to improve facilities and patient care narratively. This qualitative reporting format requires tax-exempt hospitals to specify the amount of surplus funds used for facilities, equipment, and patient care. It could also result in inconsistent information on how hospitals are providing community benefits.

GAO's 2020 analysis of IRS data identified 30 hospitals that reported spending on community benefits in 2016. According to IRS data, with little to no community benefit expenses would indicate potential noncompliance. IRS is required to review hospitals' community benefit activities at least once every 3 years, but was unable to provide evidence because it did not have a well-documented process to ensure that all hospitals were being reviewed. Consistent with GAO's September 2020 report, in 2021 IRS updated its overall guidance instructing its employees whether a hospital organization satisfies the community benefit standard. IRS established an audit code to track that review.

United States Government

Requirements for Nonprofit Hospitals to Obtain and Maintain a Tax Exemption

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Source: GAO review of relevant laws and regulations. | GAO-23-106777

Improvements in IRS Review of Hospitals' Community Benefits

IRS verifies many aspects of hospitals' reports during its triennial Community Benefit Activity Reviews (CBAR), but it did not have a well-documented process to identify hospitals at risk for noncompliance with the community benefit standard. IRS requires hospitals to self-report compliance with all four PPACA requirements on Form 990, Schedule H, Part V. Hospitals must answer a series of yes or no questions for each of the four PPACA requirements. In addition PPACA required IRS to review information about hospitals' community benefit activities at least every 3 years.



What's the risk?

Start with the Headlines



KEY TAKEAWAYS

Out of 1,773 nonprofit hospitals evaluated, 77% spent less on charity care and community investment than the estimated value of their tax breaks – what we call a “fair share” deficit.

The total “fair share” deficit for these hospitals amounted to \$14.2 billion in 2020. That’s enough to erase the medical debts of 18 million Americans or rescue the finances of more than 600 rural hospitals at risk of closure.

Many of the hospitals with the largest “fair share” deficits also received millions in COVID-19 relief funding and ended the year with high net incomes.

In four states (MA, MN, RI, and Washington, DC), the total “fair share” deficit for all hospitals is enough to wipe out all medical debt on credit reports in the state.

In 41 states, the total “fair share” deficit for all hospitals is enough to cover the net losses of all rural hospitals in the state in 2020.

If all NYC hospitals paid their Fair Share:



The city could build **3,500** new affordable housing units

www.LowInstitute.org

Lown Institute:

Are nonprofit hospitals earning their tax breaks?

“Nonprofit hospitals are going to need help changing their behavior... These hospitals are supposed to be accountable to Americans through federal, state, and local authorities—but oversight has been negligible.”

-Vikas Saini, MD, President of the Lown Institute

- The Lown Institute Hospitals Index analyzed 1,773 nonprofit hospitals using fiscal 2020 form 990 data
- Lown Institute analysts identified more than 1,350 hospitals that have “fair share” deficits
- The report defines “fair share” as the difference between the value of the hospital’s tax exemption vs the amount of “community investment” provided.
- The categories of Medicaid shortfall, health professions education, and research were not included in “meaningful community investment”.

There is Nothing ‘Fair’ about the Lown Institute’s ‘Fair Share’ Report

© Mar 25, 2024 - 06:56 PM by Rick Pollack, President and CEO, AHA



Penalties for Noncompliance

- Taxation of noncompliant hospital facilities
- Payment of an excise tax for failing to meet the CHNA requirements (\$50,000 per noncompliant facility)
- Revocation of tax-exempt status
- Revocation of section 501(c)(3) status – relevant factors include:
 - Previous failures to meet 501(r) requirements
 - Size, scope, nature and significance of the failure
 - Number, size and significance of facilities (within a system) that have failed to meet the requirements | Reason for the failure(s)
 - Whether established practices or procedures are reasonably designed to comply with 501(r)
 - Whether the practices and procedures had been routinely followed
 - Whether the organization had implemented safeguards reasonably calculated to prevent similar failures
 - Whether the organization corrected the failure(s) promptly after discovery

Risk Considerations Related to Community Benefit

- Educate hospital board members and management
- Identify where your organization is falling short
- Monitor community benefit legislation and IRS changes
- Build sustainable community benefit infrastructure
 - Build collaborative relationships with community members
 - Secure adequate staffing
 - Develop policies and procedures
 - Deliver on promises

What can you do
about it?

Internal Audit

Optimization
Project

Internal Audit



49-19

USFS DAVIS PATH AMC
← LAWN CUTOFF 0.6
GLEN BOULDER TRAIL 0.5 →

Internal Audit Activities in Community Benefit and 501r

- 81 501r/Community Benefit audit projects since 2016
- Between January 2017 – November 2021:
 - 58 total projects; 39 under ACP
 - 51 total issues
 - Impacted business objectives
 - Maintain compliance with Internal Revenue Code section 501(c)(3) to preserve tax exempt status and minimize the risk of fines and penalties.
 - Develop and implement community benefit programs that meet the community’s needs as based on a CHNA.
 - Consistently administer charity care/financial assistance to all eligible patients in accordance with established policies and procedures.
 - Appropriately capture and record community benefit expense to support Form 990 Schedule H filing.



KODIAK

501(r) and Community Benefit Subject Summary

Root Cause	Issues	Recommended Actions
Training	<p>CHNA:</p> <ul style="list-style-type: none"> Detailed training on community benefit requirements and methodologies was not provided to appropriate employees. Financial assistance was not consistently provided to all eligible patients in accordance with established policies and procedures. 	<ul style="list-style-type: none"> Provide training and guidance on responsibilities to all employees involved in the process. Audit records and educate employees on missed requirements.
	<p>The patient account did not comply.</p> <p>Transition agencies were not notified by the patient prior to transitions.</p>	<ul style="list-style-type: none"> Provide education on the missing elements in the patient account documentation required to support 501(r) compliance. At least annually, provide B&C Policies to vendors. Determine a method (e.g., audit) to verify vendor is compliant with documenting oral notifications prior to initiating the ECA.
	<p>Trial balances did not occur for all community benefit programs.</p> <p>Benefit was calculated using incorrect rates and formulas, which left room for mistakes.</p> <p>Efforts:</p> <p>Charity applications were not processed per the policy.</p> <p>Charity write-offs did not comply with policy.</p> <p>Insurance payment received for charity care write-off were not monitored to ensure write-off was correct.</p> <p>Transition agencies are not notified of ECA notice delivery timing.</p>	<ul style="list-style-type: none"> Implement a process to review entities and trial balances to identify community benefit-related programs. Implement a review process for community benefit calculations, and provide education as needed. Implement controls to identify delays in application processing. Develop and document a process to monitor accounts written off to financial assistance. Establish a process to monitor and identify the accuracy of charity care write-offs. Share audit results with third-party vendors, reiterate policy requirements, and monitor compliance on an on-going basis.
	<p>Software and system updates were not implemented in a timely manner.</p> <p>Community Benefit Calculations, and reporting.</p> <p>Information was not widely publicized.</p>	<ul style="list-style-type: none"> Identify and communicate community benefit responsibilities when transitions occur. Conspicuous public displays (or other measures reasonably calculated to attract patients' attention) will be set up to notify and inform patients about the FAP including at a minimum the ER and admissions areas.
	<p>Information used to calculate community benefit, including cost-charge ratios, were incomplete or incorrect.</p>	<ul style="list-style-type: none"> Develop a process to review community benefit information against supporting calculations.

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KODIAK

501(r) and Community Benefit Subject Summary

Root Causes of Audit Issues and Related Actions

The chart below identifies the most common root causes for 501(r) and Community Benefit audit issues:

Root Cause	Issues	Recommended Actions
Policies and Procedures	<p>CHNA:</p> <ul style="list-style-type: none"> Assumptions, methods, and reports used to calculate community benefit were not clearly documented and communicated to employees responsible for the calculations. <p>Policies:</p> <ul style="list-style-type: none"> The FAP Policy and supporting documents were outdated and/or missing required 501(r) elements. The covered and non-covered FAP Provider listing was incomplete and not updated on a regular basis. <p>Notification Efforts:</p> <ul style="list-style-type: none"> Billing and notification language lacked required components. There was a lack of reasonable effort to orally notify individuals about the hospital's FAP and how the individual may obtain assistance with the application process before initiating ECA's. 	<ul style="list-style-type: none"> Develop guidance for community benefit assumptions, methodologies, and reporting to support community benefit calculations. Annually review and update the FAP Policies and supporting documents. Update the FAP provider listing on a periodic basis. Document procedures to pull the data, including how often the listing should be updated. Standardize billing and notification templates used by the entity(ies). Establish procedures for documenting 501(r) requirements performed by registration and Business Office employees.

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Control Assessment


- Control assessment or walkthrough
 - Who owns Community Benefit Reporting?
 - Consider 501r
 - Marketing
 - VP of Mission
 - Strategy

Community Benefit Control Assessment



Business Objective	Business Process – Program Infrastructure	Response (Yes, No, N/A)	Other Information or Comments
	Patient Financial Services, Mission, Finance, Administration, etc.)?		
The Health Care Facility monitors trends and evaluates the community benefit program for quality and effectiveness.	11. Does the Health Care Facility monitor community benefit trends by category?		
	12. Does the Health Care Facility evaluate its community benefit programs and determine if the resources are being targeted to where they are most needed, and the programs are making an impact?		

Community Benefit Control Assessment



Facility/Location: _____ City: _____

Responsible Business Owner: _____ Date: _____

A Control Assessment includes a series of questions designed to help identify controls and potential gaps in established processes. Control Assessments provide Associates with insight into whether typical controls have been built into a particular process. They can be helpful in understanding the design of controls and in making decisions about whether or not to perform a full audit or assist with fine tuning an audit scope. However, before placing reliance on any information gathered in a Control Assessment, Associates must validate the existence of stated controls by obtaining relevant supporting documentation and/or through performance of walkthroughs. **In addition, conclusions about the operating effectiveness of the control environment cannot be made without performing detailed testing.**

Note that the listing below is not all-inclusive and should be tailored to the specific circumstances for the client.


Business Objective	Business Process – Program Infrastructure	Response (Yes, No, N/A)	Other Information or Comments
The Health Care Facility has a clear mission to serve the community.	1. Do the mission and values statement explicitly refer to community health, community services, access to health care, concern for persons living in poverty and other vulnerable persons? Is the word "community" present?		Policy #: Date of Policy: Last Update Date: Last Review Date:
The Health Care Facility has integrated community benefit into key organizational plans.	2. Does the strategic plan set community benefit goals?		
	3. Does the strategic plan describe financial, and personnel resources needed to obtain the goals?		
The Health Care Facility has budgeted for community benefit programs.	4. Has the Health Care Facility budgeted for community benefit programs?		
	5. Does the Health Care Facility have defined goals and objectives for the overall community benefit program as well as for the individual programs?		Key metric reporting industry benchmarks
Staff, Management, and the Board understand and assume responsibility for community health programs.	6. Has the Health Care Facility established responsibility for the community benefit program with a senior leader of the organization?		
	7. Does the Health Care Facility have a staff committed to community benefit?		
	8. Does the Health Care Facility have a designated community benefit point person?		
	9. Do the Board and CEO review and sign off on the community benefit plan, report, and IRS Form 990?		
	10. Does the Health Care Facility have an internal community benefit workgroup/committee (including members from		

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Community Benefit Control Assessment



Business Objective	Business Process – Accounting & Reporting on Community Benefit	Response (Yes, No, N/A)	Other Information or Comments
	29. Does the Health Care Facility have a policy and/or procedure not to engage in extraordinary collection practices prior to making reasonable efforts to determine whether the individual is eligible for financial assistance under the financial assistance policy?		
	Practice - Policy on Cost to Charge Ratio - The Entity implemented a policy to establish and document the utilization Charge Ratio (CTCR) that reflects the most current industry standards as it applies to the cost components of the CTCR		
	Practice - Self Audit Tool - Community Benefit - This facility uses an on-line reporting tool to assist in the roll-up of all community benefit expenses onto the IRS Form 990.		
Business Objective	Business Process – Monitoring & Communicating Community Benefit	Response (Yes, No, N/A)	Other Information or Comments
Care policies, procedures	30. Does the Health Care Facility have standardized policies and procedures for the reconciling and reporting of community benefit?		
	31. Does the Health Care Facility prepare a reconciliation of the community benefit report, Form 990 Schedule H, and State reporting?		
	32. Does the Health Care Facility have a formal communication plan to communicate the community benefit to the public and other sources?		

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Sample Control Questions

Community Benefit Control Assessment



Community Benefit Control Assessment	
Facility/Location:	City:
Responsible Business Owner:	Date:

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Business Objective	Business Process – Program Infrastructure	Response (Yes, No, N/A)	Other Information or Comments
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The Health Care Facility has integrated community benefit into key organizational plans.	2. Does the strategic plan set community benefit goals?		
	3. Does the strategic plan describe financial, and personnel resources needed to obtain the goals?		
	4. Has the Health Care Facility budgeted for community benefit programs?		
The Health Care Facility has goals and objectives focused on the effectiveness of the community benefit program.	5. Does the Health Care Facility have defined goals and objectives for the overall community benefit program as well as for the individual programs?		Key metric reporting industry benchmarks
Staff, Management, and the Board understand and assume responsibility for community health programs.	6. Has the Health Care Facility established responsibility for the community benefit program with a senior leader of the organization?		
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Community Benefit Control Assessment



Business Objective	Business Process – Accounting & Reporting on Community Benefit	Response (Yes, No, N/A)	Other Information or Comments
The Health Care Facility has a systematic process for the identification and tracking of Community Benefit programs. Including what programs count as community benefit.	23. Has the Health Care Facility created an inventory of possible current community benefit programs? Is the inventory categorized into the following types of community benefit programs (see the CHA's Guide as a leading practice) (The Health Care Facility is not required to have programs in all categories)? a) Charity Care/Financial Assistance b) Means Tested Public Program Shortfall c) Community Health Improvement Service d) Health Professions Education e) Subsidized Health Services f) Research g) Cash and In-Kind Services h) Community Building Activities i) Community Benefit Operations		
	24. Has the Health Care Facility reviewed the programs to ensure the programs meet one of the community benefit objectives listed below: a) Improve access to health care services b) Enhance health of the community c) Advance medical or health knowledge d) Relieve or reduce burden of government or other community efforts?		Policy #: Date of Policy: Last Update Date: Last Review Date:
The Health Care Facility has properly accounted for and reported community benefit program costs.	25. Does the Health Care Facility have adequate documentation to support the community benefit program costs?		
	26. Does the Health Care Facility calculate program costs including the following (reference CHA guide as a leading practice)? a) Ratio of patient care cost to charges b) Unpaid costs of government programs c) Charity care amounts		
	27. Does the Health Care Facility have adequate documentation to support the unpaid costs of government programs and charity care amounts?		
The Health Care Facility appropriately limits charge amounts and does not engage in extraordinary collection practices prior to making	28. Does the Health Care Facility limit amounts charged for emergency or other medically necessary care provided to individuals eligible for financial assistance under its financial assistance policy to not more than amounts generally billed to individuals who have insurance covering such care, prohibiting use of gross charges?		

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Planning

- Research
- Scope and Objectives
- Regulatory environment
- Key risks
- Fraud potential

Key Risks

- The Health Care Facility does not have a clear mission to serve its communities.
- The Health Care Facility has not developed, implemented, and/or updated (within the last three years) Community Benefit program strategy and infrastructure, including supporting policies and procedures, a Community Benefit Plan, to promote Community Benefit Program success.
- The Health Care Facility's Community Benefit program does not meet CHA Guide definitions, if applicable, and does not comply with ongoing analytical and reporting requirements of the Affordable

Common Audit Objectives for Internal Audits

The items presented below are audit objectives commonly found in an internal audits related to Community Benefit.

- Test whether the health care facility has a documented process in place for assessing health care needs in the community (requirement is at least every 3 years and referred to as a CHNA in Health Care Reform).
- Evaluate whether selected programs address a community need and meet the Community Benefit objective and criteria (as defined by CHA, if applicable).
- Obtain documentation to support Community Benefit costs and calculations.
- Test whether the health care facility calculated Community Benefit according to policy and procedures.
- Assess processes used to evaluate the quality and effectiveness of all/some Community Benefit programs and the overall Community Benefit program.

Key Business/Operational Objectives

- Developing and implementing community benefit programs that meet the access and health needs of the community based on a CHNA.
- Staff, executives and the board understand and assume responsibility for community health improvements and other community benefit programs.
- Policies and procedures support community benefit programs and encourage commitment to access and community health.
- Developing a systematic process for the proper identification, calculation and tracking of community benefit programs (if applicable, process should be based on CHA guidelines).
- Developing and implementing a process to communicate the community benefit story to the general public and the health care facility.

program. Communications, Finance and Community Benefit staff should work together to promote accountability and tell the community benefit story. Reporting community benefit is necessary to fulfill government requirements, but it also allows organizations to be transparent and accountable to communities.

Regulatory Environment

As noted above in the Background section, in order to remain tax-exempt, charitable tax-exempt organizations must provide community benefit and reporting to the IRS is required. In addition, state reporting may also be required.

IRS Form 990 [Schedule H](#)

Affordable Care Act ([ACA](#))

CHA Guide for Planning and Reporting Community Benefit [A Guide for Planning and Reporting Community Benefit](#)

Definitions

- **Cash and in-kind contributions** – Funds and in-kind services donated to community organizations or to the community at large for a community benefit purpose.
- **Clinics for underinsured and uninsured persons** – Clinics that provide free or low-cost health care to

Testing

- Sample audit program to follow:
 - 14 steps (scoped down from 45 steps and 20+ expected controls)
- Scoping based on discussion and risks around not properly recording and/or reporting community benefit
- See appendix for sample audit program

Testing - Structure and needs

Risk - What Could Go Wrong	Expected Control Description	Step Name - Design	Step Description - Design	Step Name - Operating	Step Description - Operating
The Health Care Facility does not have a clear mission to serve its communities.	The Health Care Facility's mission and values address the commitment to care for persons living in poverty and other vulnerable persons.	Mission and Values Statement - Design	Through discussion of the control with the client owner, assess whether the facility has developed a mission statement to address the commitment to care for persons living in poverty and other vulnerable persons.	Mission and Values Statement - Operating	Confirm the Health Care Facility's mission and values statement (see CHA's Guide Appendix C for guidelines for mission and values) explicitly refers to community health, community services, access to health care, concern for persons living in poverty and other vulnerable persons.
	The Health Care Facility has budgeted for Community Benefit programs.	Community Benefit Budgeted - Design	Through discussion of the control with the client owner, assess that the Health Care Facility has budgeted for Community Benefit.	Community Benefit Budgeted - Operating	Examine the Health Care Facility budget for Community Benefit related items.
The Health Care Facility has not developed, implemented and/or updated (within the last three years), a Community Benefit program strategy and infrastructure, which includes supporting policies and procedures and a Community Benefit Plan, to promote Community Benefit Program success.	The Health Care Facility has established responsibility for the Community Benefit program with a senior leader of the organization. The Health Care Facility has committed staff to Community Benefit and has a Community Benefit point person.	Responsibility for Community Benefit - Design	Through discussion of the control with the client owner, validate that a senior leader of the Health Care Facility is responsible for Community Benefit goals.	Responsibility for Community Benefit - Operating	<ul style="list-style-type: none"> Test whether the Board & CEO review and sign (or receive a report on) the Community Benefit plan, report, and IRS Form 990. Confirm that the Health Care Facility has appointed/hired a Community Benefit point person or assigned an employee the Community Benefit duties, including updating the plan within the last three years. Evaluate the reporting structure and whether it is aligned with CHA's Guide Chapter 3.
	The Health Care Facility has developed and implemented policies and procedures that support Community Benefit.	Policies and Procedures - Design	Through discussion of the control with the client owner, validate that the Health Care Facility has a policy for informing and educating patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance (charity care) policy. (See Form 990, Schedule H Part VI).	Policies and Procedures - Operating	<ul style="list-style-type: none"> Assess the Health Care Facility's policies and procedures related to the following (see CHA's Guide Appendix C for testing for each policy): <ul style="list-style-type: none"> Mission and values statements Governing board and executive leadership policies Administrative policies Financial Assistance (also commonly referred to as Charity Care) Billing and Collection Advocacy Physician Involvement Employees Environmental responsibility Community Benefit program
	The Health Care Facility has created an inventory of possible current Community Benefit programs.	Community Benefit Program Inventory - Design	Through discussion of the control with the client owner: <ul style="list-style-type: none"> Assess whether the Health Care Facility prepares an inventory of possible Community Benefit programs. Assess processes around how the inventory was created (interviews of staff, review of service lines, review of grant applications, and review of Health Care Facility newsletters). 	Community Benefit Program Inventory - Operating	<ul style="list-style-type: none"> If an inventory exists, obtain a copy and test whether the inventory is current. The inventory should categorize Community Benefit programs into one of the following types of programs (see CHA's Guide Chapter 2); (Note: The Health Care Facility is not required to have programs in all categories; however, every program should be included in a category): <ul style="list-style-type: none"> Financial Assistance (Charity Care) Medicaid and Other Means-Tested Public Programs Community Health Improvement Services Health Professions Education Subsidized Health Services Research Cash & In-Kind Contributions for Community Benefit Community-Building Community Benefit Operations

Testing - Accounting and Reporting

Risk - What Could Go Wrong	Expected Control Description	Step Name - Design	Step Description - Design	Step Name - Operating	Step Description - Operating
The Health Care Facility does not know what possible Community Benefits programs are currently underway.	The Health Care Facility has reviewed the CHA Guide regarding eligible programs and identified programs currently underway.	Programs Missed - Design	Through discussion of the control with the client owner, assess whether a process is in place to look for possible eligible Community Benefit programs not included.	Programs Missed - Operating	<ul style="list-style-type: none"> Obtain a copy of the Health Care Facility's financial statements and newsletters and examine for possible eligible Community Benefit Programs not identified. See CHA's Guide Appendix B for ideas). Compare some CHA examples (CHA Guide Chapter 2) regarding eligible programs with the Health Care Facility's programs. Assess whether the Health Care Facility includes financial assistance and other Community Benefits provided through joint ventures.
The Health Care Facility has not properly accounted for and reported the: <ul style="list-style-type: none"> net cost of community health improvement services net cost of health professions education <ul style="list-style-type: none"> net cost of subsidized health services financial assistance (charity care) net cost of research quantification of cash and in-kind contributions cost of community-building activities cost of Community Benefit operations unpaid cost of Medicaid and other means-tested government programs 	The Health Care Facility has adequately reviewed the capture of the Community Benefit program costs and has adequate documentation that supports the Community Benefit program costs.	Assess Process and Test Programs - Design	Through discussion of the control with the client owner, assess whether the Health Care Facility have developed processes that Community Benefit costs are accurately captured.	Assess Process and Test Programs - Operating	<ul style="list-style-type: none"> Test that accountability has been assigned for accurate capture of Community Benefit costs and calculations, and that controls used
				Risk - What Could Go Wrong	Expected Control Description
				Reporting on IRS Form 990 - Design	The Health Care Facility does not reconcile and report Community Benefit in accordance with regulatory requirements. The Health Care Facility has developed and implemented policies and procedures for the reconciling and reporting of Community Benefit.
				Reporting on Schedule H of IRS Form 990 - Design	Through discussion of the control with the client owner, assess whether policies and procedures exist for the reconciling and reporting of Community Benefit. Through discussion of the control with the client owner, assess whether the Health Care Facility appropriately reported Community Benefit activities.
				Reconciliation Between Reports - Design	Obtain a copy of the IRS Form 990 Schedule H and confirm that the Health Care Facility correctly answered all questions. Through discussion of the control with the client owner, assess whether the Health Care Facility has performed a reconciliation between Community Benefit reports, Schedule H and State reporting.
				Disclosure of Accounting Methods - Design	Confirm whether the Health Care Facility has documented their reconciliation of their published Community Benefit report, IRS Form 990 Schedule H, and any State reports. Test whether the accounting methods are disclosed in the Community Benefit reports and IRS Form 990 Schedule H.
				Communication of Community Benefit Program - Design	Facility prepares a reconciliation of the Community Benefit report, Schedule H, and State reporting. Accounting methods are disclosed. Through discussion of the control with the client owner, assess whether the Health Care Facility has disclosed the accounting methods used to calculate Community Benefit costs in its published Community Benefit reports and IRS Form 990 Schedule H.
				Communication of Community Benefit Program - Operating	The Health Care Facility does not communicate its Community Benefit program in accordance with regulatory requirements, including posting the current report on the Health Care Facility's website. The Health Care Facility has a formal communication plan to communicate the Community Benefit to the public and other sources. Through discussion of the control with the client owner, assess whether accountability has been established for the communication plan for Community Benefit. This should include the communications/marketing, finance, and Community Benefit departments.
					<ul style="list-style-type: none"> Examine and assess the Health Care Facility communication plan and strategy for communicating Community Benefit. The plan should include various target audiences, different media the Health Care Facility plans to use, and what messages will be conveyed to audiences. Examine the Health Care Facility annual public Community Benefit report. Identify how the public Community Benefit report is distributed. Confirm whether the Health Care Facility has disclosed the accounting methods used to calculate Community Benefit costs in its public Community Benefit reports. Log into the hospital website and assess whether the current Community Benefit report is on the website.



Optimization Project

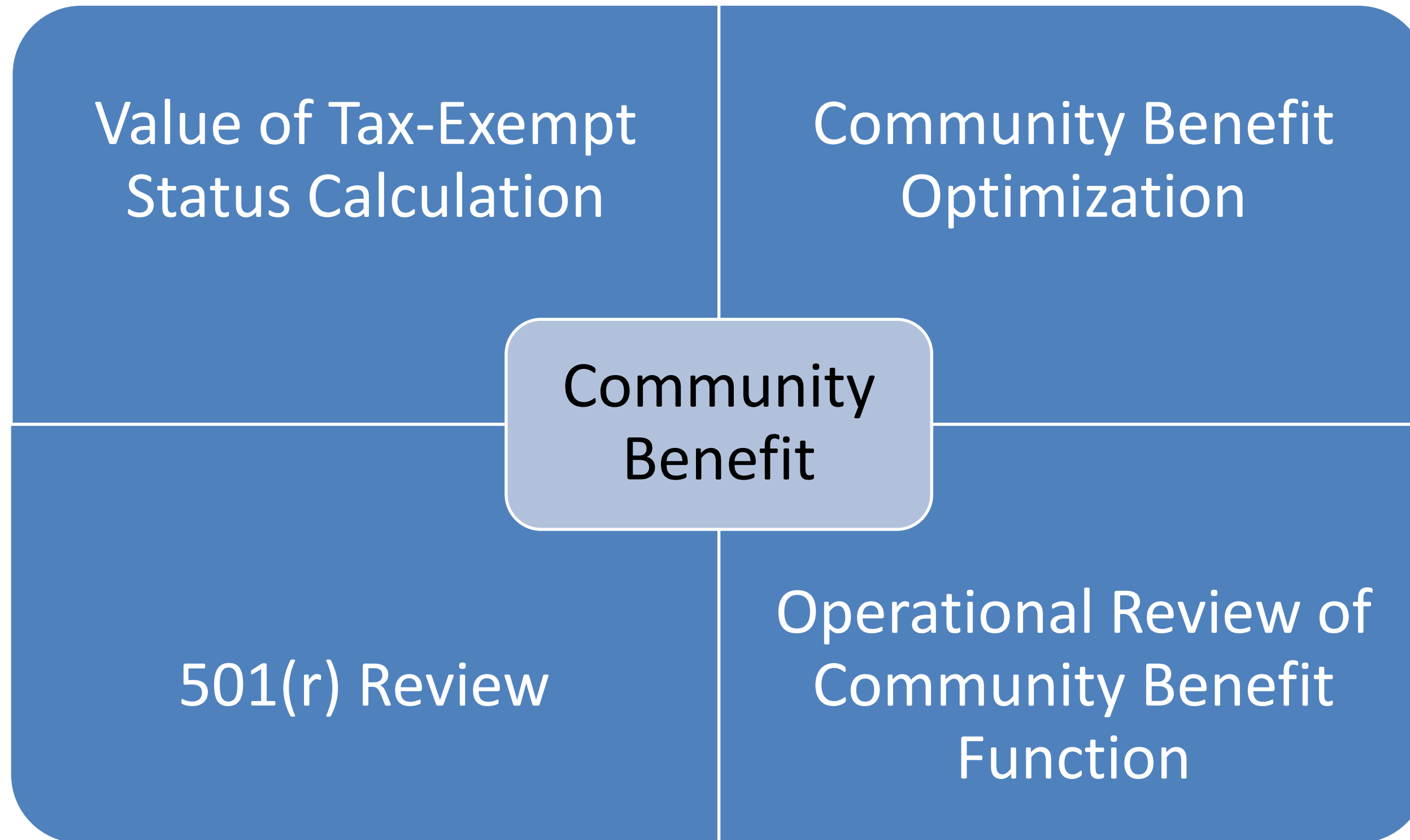


Community Benefit Optimization

We are well-versed in Catholic Health Association's guidelines for reporting community benefit and will work with you to identify unreported or under-reported community benefit activities.

- Review of calculations quantifying community benefit reported on IRS Forms 990, Schedule H, including a detailed analysis of all worksheets and underlying supporting calculations for financial assistance at cost, unreimbursed Medicaid and cost-to-charge calculations.
- Analysis and identification of service lines that meet qualifications to be reported as subsidized health services.
- Review supporting documentation and calculations for other benefits, such as community health improvement services and health professions education, to validate amounts reported and to ensure items such as fringe benefits and indirect costs are appropriately captured.
- Assistance with developing community benefit reporting policies and procedures to develop a consistent framework for community benefit reporting.
- Education sessions for community benefit reporting, including interactive sessions to identify unreported community benefit activities.
- Benchmarking analysis of amounts reported for community benefit against
 - peer organizations
 - hospitals of similar size
 - hospitals in same geographic region
 - children's hospitals, where applicable
- Development of customized tools to automate and help systematize Community Benefit calculations from general ledger and other internal financial data.
- Organizational review of community benefit function that assesses leadership structure and functional reporting responsibilities, board involvement, community benefit planning and budgeting processes, communication strategies, culture and legislative influence.

Most Frequently Identified Gaps



QUESTIONS?



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Thank You

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