

## Community Benefit 101



# Community Benefit Overview and Public Policy Imperative

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Julie Trocchio  
The Catholic Health Association



## Why Provide Community Benefit



- The Mission Imperative
- The Policy Imperative
- The Accountability Imperative
- New Directions
- Other Trends

## The Mission Imperative



“Our organizations were established – not for economic opportunity – but to address the need for health services in our communities. Our facilities were born out of community need, a tradition that continues today.”

Sr. Carol Keehan, DC  
President and CEO  
Catholic Health Association  
House Ways and Means Committee Testimony

## History



Mother Joseph, born in Montreal, led a group of five missionaries to the Pacific Northwest.

She was responsible for the completion of 11 hospitals, seven academies, five Indian schools and two orphanages through her impressive fundraising efforts.

As an architect and an artist, she also designed and supervised the construction of these facilities.



## History



### Questions raised in the 80's and 90's

Catholic Sponsors

- Are we still charitable?

For-Profit  
Hospitals

- How can you claim to be different?

Policymakers

- Do you deserve tax-exemption?

Catholic Health  
Leaders

- Will PPS diminish our community benefit?

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## The Policy Imperative



The Tax Code 501(c)(3)



Revenue Ruling 69-545



IRS Reporting Requirement  
and Form 990 - Schedule H



ACA Requirements for Tax-  
Exempt Hospitals

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# IRS Form 990



Part I: Financial assistance and other community benefits

Part II: Community-building activities

Part III: Medicare and bad debt

Part IV: Management companies and joint ventures

Part V: List and description of facilities in organization, ACA requirements

Part VI: Supplemental information

# IRS Form 990



## Schedule H, Part V, Section B

- Completed for each hospital facility
- Collects information about:
  - Community Health Needs Assessments
  - Financial Assistance and Emergency Care Policies
  - Billing and Collections

## The Accountability Imperative



- Corporate Health Care, Congress, and Sponsors
- Senator Grassley
- State Attorneys General
- On-going media and academic scrutiny
- IRS Compliance

## Accountability Imperative



**Hatch, Grassley Press IRS for Answers on Nonprofit Hospitals**  
**Washington** – Senate Finance Committee Chairman Orrin Hatch (R-Utah) and U.S. Senator Chuck Grassley (R-Iowa), a senior member of the committee, today requested specific information from the Internal Revenue Service (IRS) regarding their oversight activities of nonprofit hospitals. The senators, in a letter, asked Acting IRS Commissioner David Kautter for details regarding the agency’s monitoring and enforcement practices of the entities.

U.S. Senate Finance Committee  
 February 15, 2018

## Accountability Imperative



### IRS Community Benefit Reviews

- ACA requires IRS to review each tax-exempt hospital organization at least every 3 years
- Review is of public record – hospitals not contacted
- IRS reviews about 1000 each year
- Approximately 1/3 get next level review. Approximately 100 \$50,000 excise tax.

## Accountability Imperative



### Common Review Triggers

- No CHNA report on website
- No FAP (or incomplete) on website
- No (or incomplete) provider list

## IRS Section 501(r) Examination Activity



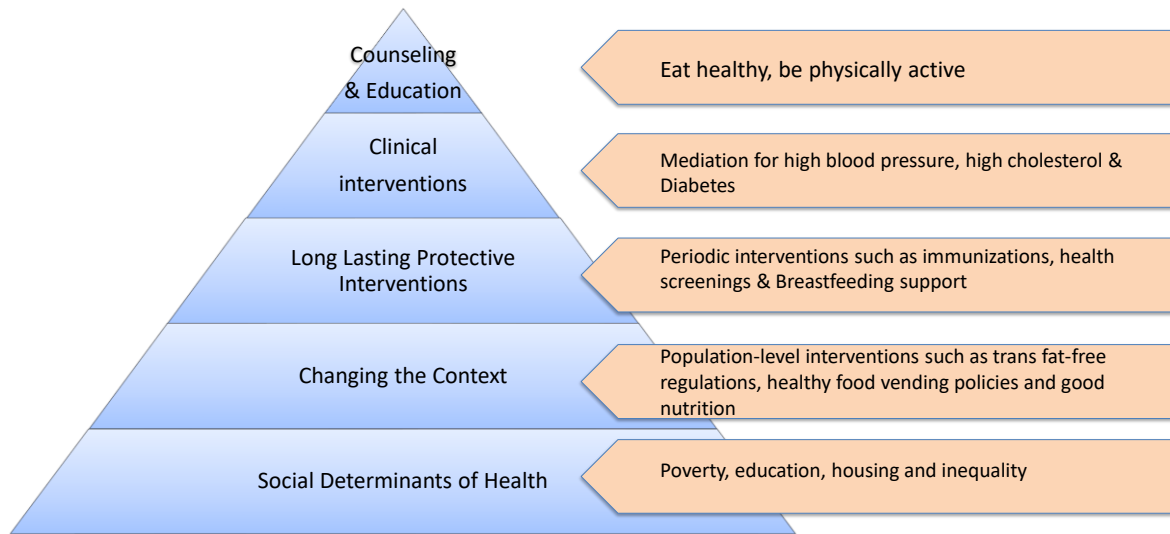
- IRS agents conducting examinations have been asking for:
  - Description of how hospital facility informs and notifies its patients of the availability of financial assistance
  - Translations of the FAP, FAP application, and plain language summary into limited English proficiency languages and the methodology used to determine required translations
  - “Amounts generally billed” workpapers and the basis for calculating amounts charged to FAP-eligible patients
  - Records of charges to FAP-eligible individuals
  - Interviews with persons with relevant knowledge of 501(r)-related policies and processes
  - Verification of information reported on Form 990, Part V, Section B
  - Copies of billing statements
  - Description of “extraordinary collection actions” (ECAs) taken by the hospital facility
  - Copies of notices sent to patients who were subject to ECAs
  - Hospital facility contracts with collection agencies
  - Complaints the hospital facility has received regarding collection actions or failure to comply with the FAP
  - Board minutes adopting CHNA report, implementation strategy, FAP, billing and collection policy, emergency medical care policy

## New Direction: Social Determinants of Health – What?



Social and Community Context	Social cohesion, discrimination, incarceration, community engagement
Education	Early childhood education, high school graduation, literacy and language
Neighborhood and Built Environment	Safety from crime and violence, transportation, clean air and water, public places to play and exercise
Economic Stability	Housing and food security, employment, income
Health and Health Care	Comprehensive health insurance, access to primary care and mental health care, culturally-competent provider

## New Direction: Social Determinants of Health – Why?



## New Direction: Social Determinants of Health – How?



- Clinical encounter
- Organizational structures and processes
- Community relationships



## Other Trends



### **Moving from:**

- Random acts of kindness to strategic thinking
- Silos to collaboration
- Counting to evaluation
- Funding to financing

### **Moving towards:**

- Public health collaboration, approaches and tools
- Community partnerships

## Next Presentation



- [Accounting for Community Benefit](#)