



Part III: The Montana Community Benefit Guidebook

MONTANA COMMUNITY BENEFIT GUIDEBOOK BOOTCAMP

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Introductions



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Agenda

- Definitions and Calculations Related to Reporting Other Benefits
 - Cash and in-kind contributions
 - Subsidized health services



Agenda

- Community Building Activities
- Definitions and Calculations Related to Reporting Community Building Activities
 - 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
- Bad Debt, Medicare, and Collection Practices
- Annual Considerations for Completion of Schedule H



Guidebook - Project Key Steps

- Assist in writing guidelines for each component reported on the Form 990, Schedule H, Hospitals.
- Resulting guidebook would serve as a resource to Montana hospitals to identify and inventory community benefits and provide for a standardization of accounting and reporting the information to the IRS and the public.

Schedule H, Line 7i

i Cash and in-kind contributions for community benefit (from Worksheet 8)						

Schedule H, Line 7i

- **IRS Instructions:** This line includes cash contributions or grants and the cost of in-kind contributions that support financial assistance, health professions education, and other community benefit activities reportable on Schedule H, Part I, Lines 7a – 7h. Cash and in-kind contributions means contributions made by the organization to health care organizations and other community groups restricted, in writing, to one or more of the community benefit activities documented within Part I, Line 7. In-kind contributions include the cost of staff hours donated by the organization to the community while on the organization's payroll, indirect cost of space donated to tax-exempt community groups (such as for meetings), and the financial value (generally measured at cost) of donated food, equipment, and supplies.

Did your organization incur any of the following during the year?

- Cash contributions to other qualifying health care organizations and other community benefit group organizations restricted, in writing.
- Cash contributions and grants made by the organization to entities or community groups that share the organization's goals and mission.
- Contributions and matching funds provided to not-for-profit community organizations.

Schedule H, Line 7i - Include

- Contributions to schools for programs that promote student health and academic performance when tied to an identified community health need.
- Contributions to nonprofit insurance organization (i.e., capitated insurer for Medicaid patients) to provide for the access to health care for Medicaid patients.
- Contributions for the costs of electronic medical records when contribution is to a Federally Qualified Health Clinic or other nonprofit network of physicians or health care organizations serving low-income or uninsured patients.

Schedule H, Line 7i - Include

- Contributions to charity events of not-for-profit organizations, after deducting the market value of participation by the employees or the organization.
- Donations to a community clinic serving a low-income class and/or group.
- Fundraising for organization community benefit activities.
- Emergency funds to local Red Cross.
- Supplies and cash donation to other areas of the country or other countries due to poverty or natural disasters.

Schedule H, Line 7i - Include

- In-kind contributions to include:
 - Cost of staff hours/staff time donated by the organization while on the organization's payroll.
 - Indirect costs associated with space provided (i.e., meetings).
 - Financial value at cost (with remaining useful life) of donated food, equipment, and supplies (i.e., medical equipment/supplies, information technology equipment).

Schedule H, Line 7i - Include

- In-kind contributions of emergency medical care at a community event.
- Employee physician time to conduct physicals at a homeless shelter.
- Costs of coordinating community events not sponsored by the health care organization.
- Employee costs related to board and community service involvement when on work time.
- Food donations, including to organizations like Meals on Wheels and food shelters.
- Laundry services for community organizations.

Schedule H, Line 7i - Include

- Ancillary services (i.e., lab, radiology, and pharmacy services) provided at low/no costs to other providers in the community (clinics or shelters).
- Technical assistance to community organizations (i.e., information technology, accounting, human resource support, process support, planning, and/or marketing).
 - Finance staff time to help a free clinic set up an accounting system.
- Matching grants.
- Grants to for-profit organization if restricted in writing to a community benefit activity and responds to a community health need.

Schedule H, Line 7i - Include

- “After Prom” school sponsored events if specific to preventing accidents and injury to youth to address a public health priority and community need.
- Program, operating, and education grants.
- Blood drives at hospital facility with employees donating blood during office hours (contribution of employees’ time).

Schedule H, Line 7i - Exclude

- Cash or in-kind contribution payments in exchange for a service, facility, or project or that the organization makes primarily to obtain an economic or physician benefit.
- Contributions primarily for public relations/marketing reasons.
- Contributions not related to a community health need.
- Contributions for the cost of electronic medical records to physicians.
- Payments in lieu of taxes that the organization makes to prevent or forestall local or state property tax assessments.

Schedule H, Line 7i - Exclude

- Payments made by a teaching hospital to its affiliated medical school for intern or resident supervision services.
- Unrestricted sponsorships.
- Other donations that have not been restricted, in writing, to a community benefit purpose.

Schedule H, Line 7i - Exclude

- Cash or in-kind contributions contributed by employees (i.e., activities performed by employees during personal time).
- Employee costs associated with board and community involvement when provided during employee's own time.
- Volunteer hours provided by hospital employees on their own time for community events.

Schedule H, Line 7i - Exclude

- Fundraising for new technology.
- Executive time at charitable golf outings.
- Equipment that is fully depreciated as the asset has been fully expensed.

Schedule H, Line 7i - Exclude

- Emergency funds provided by the organization to the organization's employees (i.e., funds provided to an employee support fund for which the individuals benefiting are only internal to the organization).
- Emergency funds provided by employees and not incurred by the organization.
- Loans, advance, or contributions to the capital of another organization reportable in Part X.

Schedule H, Line 7i - Exclude

- Unrestricted grants or gifts that another organization can, at the discretion of the grantee organization, be used other than to provide the type of community benefit described in the table on Part I, Line 7.
- Fees for sporting event tickets.
- Salary expenses paid to employees deployed on military services or jury duty.
- Time spent at golf outings or other primarily recreational events.
- Grants passed through from a related organization.

Schedule H, Line 7i - Expenses

- Dollar value of cash donation made and restricted (in writing) for a specific community benefit purpose.
- In-kind donations valued based on book value and/or reasonable cost estimates.

Schedule H, Line 7i - Revenues

- Generally, should be zero.
- Restricted grants from another organization for which the amount is re-granted or shared with another entity.

Schedule H, Line 7g

g Subsidized health services (from Worksheet 6)						

Schedule H, Line 7g

- **IRS Instructions:**

“Subsidized health services” means clinical services provided despite a financial loss to the organization. The financial loss is measured after removing losses associated with bad debt, financial assistance, Medicaid, and other means-tested government programs. Losses attributable to these items aren’t included when determining which clinical services are subsidized health services because they are reported as community benefit elsewhere in Part I or as bad debt in Part III

A service meets an identified community need if it is reasonable to conclude that if the organization no longer offered the service:

- The service would be unavailable in the community,
- The community's capacity to provide the service would be below the community's need, or
- The service would become the responsibility of government or another tax-exempt organization

Schedule H, Line 7g

- **IRS Instructions (cont.):**

Subsidized health services can include qualifying inpatient programs (for example, neonatal intensive care, addiction recovery, and inpatient psychiatric units) and outpatient programs (emergency and trauma services, satellite clinics designed to serve low-income communities, and home health programs). Subsidized health services generally exclude ancillary services that support inpatient and ambulatory programs such as anesthesiology, radiology, and laboratory departments.

Subsidized health services include services or care provided at physician clinics and skilled nursing facilities if such clinics or facilities satisfy the general criteria for subsidized health services. An organization that includes any costs associated with stand-alone physician clinics (not other facilities at which physicians provide services) as subsidized health services on Part I, line 7g, must describe that it has done so and enter on Part VI such costs included on Part I, line 7g.

Schedule H, Line 7g

- Survey Responses
 - Emergency Department
 - Trauma center designation
 - Collaborative emergency preparedness with county agencies
 - Wound Care
 - Endocrinology
 - Diabetes and Nutrition

Schedule H, Line 7g

- Survey Responses
 - First Step Resource Center (child abuse and adult sexual assault response)
 - Nephrology and Dialysis
 - Long-Term Mobility Care
 - Adolescent and Adult Outpatient and Inpatient Psychiatry
 - Palliative Care

Schedule H, Line 7g

- Survey Responses
 - Ambulatory Clinical Services
 - Primary Care
 - Cardiology
 - Gastrointestinal
 - Oncology
 - Surgical
 - Behavioral Health

Schedule H, Line 7g

- Survey Responses
 - Hospitalists
 - Lab Services
 - Infusion Therapy
 - Respiratory Therapy

Schedule H, Line 7g - Include

The following can be considered as part of the subsidized health services line item:

- Clinical programs or service lines meeting a community need that the hospital subsidizes
- Emergency and trauma services such as air ambulance, emergency department, trauma center, local community emergency medical technician (EMS) training
- Neonatal Intensive Care
- Burn Units
- Renal Dialysis Services

Schedule H, Line 7g - Include

- Hospital Outpatient Services including:
 - Subsidized permanent outpatient services and primary/ambulatory care centers, whether they are within the hospital facility or separate, freestanding facilities (e.g., urgent care center)
 - Mobile units, including mammography and radiology units
 - Safety net clinics
 - School-based clinics
 - Physician clinics

Schedule H, Line 7g - Include

- Women's and children services including:
 - Freestanding breast diagnostic centers,
 - Newborn care,
 - Obstetrical services,
 - Pediatrics and Women's services

Schedule H, Line 7g - Include

- Behavioral Health Services including:
 - Addiction Recovery
 - Inpatient psychiatric services
 - Other substance abuse programs

Schedule H, Line 7g - Include

- Subsidized Continuing Care including:
 - Hospice care
 - Home care services
 - Skilled nursing care or nursing home services
 - Senior day health programs
 - Durable medical equipment

Schedule H, Line 7g - Include

- Palliative Care
 - These special programs usually involve the formation of an expert team and go beyond the routine pain control efforts expected of all health care facilities

Schedule H, Line 7g - Exclude

The following should ***not*** be considered as part of the subsidized health services line item:

- Charity care
- Medicaid shortfalls
- Other public payer programs
- Bad debt
- Payments for routine on-call physician services
- Services provided in order to attract physicians or health plans
- Routine pain control program

Schedule H, Line 7g - Exclude

The following should ***not*** be considered as part of the subsidized health services line item (continued):

- Services that:
 - Are not needed by the community
 - Experience losses due to inefficiency
 - Have many competitors in the marketplace and are not accessed by patients in need
- Subsets of the service such as geriatric, pediatric or psychiatric emergency rooms if the overall emergency department does not need to be subsidized

Schedule H, Line 7g - Exclude

The following should ***not*** be considered as part of the subsidized health services line item (continued):

- Step-down or post-acute services provided in order to discharge outlier patient, to the financial advantage of the facility
- Ancillary services (such as lab, radiology, and pharmacy)
- Ancillaries that support these services, such as imaging
- The organization's inpatient palliative care program

Schedule H, Line 7g - Revenues

- Since subsidized health services are part of the routine operations of the facility, revenue tracking should be more straight-forward than some of the other components of the community benefit schedule.

Schedule H, Part III, Section A – Bad Debt

Part III Bad Debt, Medicare, & Collection Practices		Yes	No
Section A. Bad Debt Expense			
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	<input type="checkbox"/>	<input type="checkbox"/>
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.		

Schedule H, Part III, Section A – Bad Debt

- **IRS Instructions:**

In this section,

- Enter combined bad debt expense;
- Provide an estimate of how much bad debt expense, if any, reasonably could be attributable to persons who likely would qualify for financial assistance under the organization's financial assistance policy and
- Provide a rationale for what portion of bad debt, if any, the organization believes is community benefit.

Schedule H, Part III, Section A – Bad Debt

- **IRS Instructions (continued):**

Line 2. Use the most accurate system and methodology available to the organization to enter bad debt expense.

- If only a portion of a patient's bill for services is written off as a bad debt, include only the proportionate amount attributable to the bad debt.
- Include the organization's proportionate share of bad debt expense of joint ventures in which it had an ownership interest during the tax year.
- Describe in Part VI the methodology used in determining the amount entered on line 2 as bad debt, including how the organization accounted for discounts and payments on patient accounts in determining bad debt expense.

Schedule H, Part III, Section A – Bad Debt

- **IRS Instructions (continued):**

Line 3 Provide an estimate of the amount of bad debt entered on line 2 that reasonably is attributable to patients who likely would qualify for financial assistance under the hospital's financial assistance policy as entered on Part I, lines 1 through 4, but for whom insufficient information was obtained to determine their eligibility. ***Don't include this amount in Part I, Line 7.***

- Organizations can use any reasonable methodology to estimate this amount, such as record reviews, an assessment of financial assistance applications that were denied due to incomplete documentation, analysis of demographics or other analytical methods.
- Describe in Part VI the methodology used to determine the amount entered on line 3 and the rationale, if any, for including any portion of bad debt as community benefit.

Schedule H, Part III, Section B - Medicare

Part III Bad Debt, Medicare, & Collection Practices

Section B. Medicare

- | | | | |
|----------|---|----------|--|
| 5 | Enter total revenue received from Medicare (including DSH and IME) | 5 | |
| 6 | Enter Medicare allowable costs of care relating to payments on line 5 | 6 | |
| 7 | Subtract line 6 from line 5. This is the surplus (or shortfall) | 7 | |
- 8** Describe in Part VI the extent to which any shortfall reported on 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:
- Cost accounting system
 Cost to charge ratio
 Other

Schedule H, Part III, Section B - Medicare

- **IRS Instructions:**

In this section,

- Combine allowable costs to provide services reimbursed by Medicare (don't include community benefit costs included on Part I, line 7I),
- Combine Medicare reimbursements attributable to such costs, and
- Combine Medicare surplus or shortfall.

Include in Section B only those allowable costs and Medicare reimbursement that are reported in the organization's Medicare Cost Reports for the year, including its share of any such allowable costs and reimbursement from disregarded entities and joint ventures in which it has an ownership interest.

Schedule H, Part III, Section B - Medicare

- **IRS Instructions (continued):**

Don't include any Medicare-related expenses or revenue entered on Part I, line 7f or 7g.

In Part VI, the organization should describe what portion of its Medicare shortfall, if any, it believes should constitute community benefit, and explain its rationale for its position.

The organization can also enter in Part VI the amount of any Medicare revenue and costs not included in its Medicare Cost Reports for the year and can enter a reconciliation of the amounts entered in Section B (including the surplus or shortfall entered on Line 7) and the total revenue and costs attributable to all of the organization's Medicare programs.

Schedule H, Part II – Community Building

Part II Community Building Activities Complete this table if the organization conducted any community building 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						

Schedule H, Part II – Community Building

- **IRS Instructions:**

Enter in this part the costs of the organization's activities that it engaged in during the tax year to protect or improve the community's health or safety, and that aren't entered in Part I of this schedule.

Some community building activities may also meet the definition of community benefit. Don't enter in Part II community building costs that are entered on Part I, line 7, as community benefit (costs of a community health improvement service entered on Part I, line 7e). An organization that enters information in this Part II must describe in Part VI how its community building activities promote the health of the communities it serves.

Schedule H, Part II – Community Building

- **IRS Instructions (continued):**

If the filing organization makes a grant to an organization to be used to accomplish one of the community building activities listed in this part, then the organization should include the amount of the grant on the appropriate line in Part II.

If the organization makes a grant to a joint venture in which it has an ownership interest to be used to accomplish one of the community building activities listed in this part, enter the grant on the appropriate line in Part II, but don't include in Part II the organization's proportionate share of the amount spent by the joint venture on such activities to avoid double counting.

Schedule H, Part II – Community Building

- **Physical Improvements and Housing:**

Include, but are not limited to, the provision or rehabilitation of housing for vulnerable populations, such as removing building materials that harm the health of the residents, neighborhood improvement or revitalization projects, provision of housing for vulnerable patients upon discharge from an inpatient facility, housing for low-income seniors, and the development or maintenance of parks and playgrounds to promote physical activity.

Schedule H, Part II – Community Building

- **Economic Development:**

Can include, but is not limited to, assisting small business development in neighborhoods with vulnerable populations and creating new employment opportunities in areas with high rates of joblessness.

Schedule H, Part II – Community Building

- **Community Support:**

Can include, but is not limited to, child-care and mentoring programs for vulnerable populations or neighborhoods, neighborhood support groups, violence prevention programs, and disaster readiness and public health emergency activities, such as community disease surveillance or readiness training beyond what is required by accrediting bodies or government entities.

Schedule H, Part II – Community Building

- **Environmental Improvements:**

include, but are not limited to, activities to address environmental hazards that affect community health, such as:

- alleviation of water or air pollution,
- safe removal or treatment of garbage or other waste products, and
- other activities to protect the community from environmental hazards.

Schedule H, Part II – Community Building

- **Environmental Improvements (exclusions):**

The organization cannot include on this line or in this part expenditures made to comply with environmental laws and regulations that apply to activities of itself, its disregarded entity or entities, a joint venture in which it has an ownership interest, or a member of a group exemption included in a group return of which the organization is also a member.

Similarly, the organization cannot include on this line or in this part expenditures made to reduce the environmental hazards caused by, or the environmental impact of, its own activities, or those of its disregarded entities, joint ventures, or group exemption members, unless the expenditures are for an environmental improvement activity that:

- Is provided for the *primary* purpose of improving community health;
- Addresses an environmental issue known to affect community health; **and**
- Is subsidized by the organization at a net loss.

An expenditure may not be entered on this line if the organization engages in the activity primarily for marketing purposes.

Schedule H, Part II – Community Building

- **Leadership Development and Training for Community Members:**

Includes, but is not limited to, training in:

- Conflict resolution
- Civic, cultural, or language skills
- Medical interpreter skills for community residents

Schedule H, Part II – Community Building

- **Coalition Building:**

Includes, but is not limited to, participation in community coalitions and other collaborative efforts with the community to address health and safety issues.

Schedule H, Part II – Community Building

- **Community Health Improvement Advocacy:**

Includes, but is not limited to, efforts to support policies and programs to safeguard or improve:

- Public health,
- Access to health care services,
- Housing,
- Environment, and
- Transportation.

Schedule H, Part II – Community Building

- **Workforce Development:**

Includes, but is not limited to,

- Recruitment of physicians and other health professionals to medical shortage areas or other areas designated as underserved, and
- Collaboration with educational institutions to train and recruit health professionals needed in the community (other than the health professions education activities entered on Part I, line 7f).

How Can We HELP?





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