April 7, 2020

Recommendations for Reporting Community Benefit Related to Coronavirus

As America's hospitals respond to the unprecedented needs of their communities because of the coronavirus/COVID-19 pandemic, community benefit leaders have raised questions of how to identify and track reportable community benefits. Following are preliminary suggestions for reporting community benefit expenses using the categories from Part I of the Internal Revenue Service (IRS) Form 990 Schedule H and the Catholic Health Association (CHA) *Guide for Planning and Reporting Community Benefit.*

These are early recommendations from community benefit leaders based on their current experience. They are not exhaustive. **They do not represent tax or legal advice.**

As you assess what expenses may be reported as community benefit, consider existing guidance from CHA and the IRS:

- What Counts Q&A on CHA website – Disaster Preparedness: https://www.chausa.org/communitybenefit/what-counts-q-a-listing/community-building-activities/disaster-preparedness.
- Guidance on reporting community benefit in CHA's *Guide to Planning and Reporting Community Benefit,* Chapter 2
- IRS Instructions for the Form 990 Schedule H. at www.irs.gov/pub/irs-pdf/990sh.pdf.

This guidance is also included in an **Appendix** to this document.

Reporting Categories of Community Benefit Services

Category 1: Financial Assistance
Free or discounted care provided to persons who cannot afford to pay and who meet the eligibility criteria of the hospital's financial assistance policy. **Hospitals may want to review their financial assistance policies and consider whether to make changes based on the current environment.**

Category 2: Government-Sponsored Means-Tested Health Care
Medicaid and other unpaid costs of public programs for low-income persons. **Hospitals should monitor any federal, state or local policy changes related to eligibility for these programs during the crisis. They should also track any additional public payments that offset losses.**

Category 3: Community Benefit Services (sub-categories A-G)
Programs that respond to an identified community heath need and are designed to accomplish one or more community benefit objectives (improve access to health care services, enhance public health, advance medical knowledge, or relieve the burden of government to improve health). These examples are not intended to be an exhaustive list.

A. Community Health Improvement Services

These activities are carried out to improve community health. They do not generate inpatient or outpatient bills, although they may involve a minimal fee. In all cases, be sure to identify and subtract from total expenses any restricted offsetting revenue.

- *Community Health Education*: Participation in awareness and education activities for the community and first responders, including production, translation and distribution of educational material, coordinating media response, public service announcements, and telephone hotlines for answering questions.
- *Community-based Clinical Services* including free or nominal cost services or screening for coronavirus, flu immunizations, mobile units and offsite testing costs for the virus not included in Category 1 or 2 or Subsidized Health Services.
- *Health Care Support Services*, including
    - Executive and other employee time spent planning for and recovering from the public health emergency
    - Information and referral services
    - Community mental health services including support of self-care programs and crisis intervention.
- *Social and Environmental Improvement Activities*
    - Activities related to responding to social needs in the community, including food and housing insecurity
    - Disaster readiness and response over and above state and federal licensure requirements. (See https://www.chausa.org/communitybenefit/what-counts-q-a-listing/community-building-activities/disaster-preparedness). This may include participation in planning for community disaster preparedness, the establishment of command centers and regular huddles that are specific to disaster readiness and over and above licensure requirements and participation in community-wide assessments of community disaster preparedness and resilience.

B. Health Professions Education

- Costs associated with educating health professionals related to treating/responding to coronavirus when education meets criteria for required degree, certificate or training. Education for health professionals that does not meet the criteria can be reported as Community Health Improvement Services, Community Health Education.

C. Subsidized Health Services

- This would include a program, clinical department or service line that as a whole were to lose money at the end of the fiscal year and was continued despite the loss because it met a need in the community (i.e. an emergency department, ICUs) and would otherwise not have been available or adequately available in the community. Report when the loss remains after removing losses associated with financial assistance,

Medicaid, other means-tested government programs, and bad debt. Be careful not to double count with other community benefit expenses. Offset with any payments for this purpose.

D. Research

- Research conducted on COVID-19, including screening, treatment and the impact on the health and welfare of communities, which will be shared across professional disciplines and organizations.

E. Cash and In-kind Donation

- Cash or in-kind contributions provided to community groups within and outside the local community that are restricted, in writing, to be used for one of the community benefit activities described herein, in response to the pandemic. Be sure to retain a restriction letter that the receiving organization must use the funds to support a community benefit activity.
- Assisting other hospitals and health care facilities not having the resources, capacity or expertise to meet COVID-19 response needs.
- Assisting other community organizations responding to the pandemic including support for mental health and substance abuse programs.
- In-kind contribution examples include donating medical, surgical and pharmaceutical supplies and providing staff to other organizations to conduct training or provide services.

G. Community Benefit Operations

- Report cost of community benefit operations (e.g., community benefit program administration, fundraising or grant writing for coronavirus-related community health improvement service) related to the coronavirus and not included above.
- Revisions to or updates of community health needs assessments (CHNAs) and implementation strategies necessitated by the pandemic.

Do not count:

- Loss of revenue due to canceled appointments, surgeries, procedures, etc. CHA community benefit guidelines recommend not counting as community benefit "opportunity costs" – the amount of revenue that could have been collected. However, loss of revenue may contribute to the need to subsidize needed programs or services (see above, Subsidized Health Services).
- Time spent by employees on their own time and the time of volunteers.

Additional Considerations

We recognize that hospitals are experiencing significant unanticipated costs associated with their response to the coronavirus pandemic.

To the extent the costs are incurred for services that are not billed for inpatient or outpatient services, they may be reportable as community health improvement, such as community-based clinical services.

To the extent they are incurred for services that generate inpatient or outpatient revenue, such as most clinical services, they should not be reported as community health improvement. Rather, they could be collected in a separate account or incorporated into the expenses reported in Categories 1 or 2 or Subsidized Health Services. This will probably apply to most unreimbursed costs related to surge capacity.

Here are examples of costs hospitals are experiencing related to COVID-19. Some of these costs could be included in financial assistance, Medicaid or other means-tested programs, subsidized services or community health improvement means services (see above). Some may be deemed a cost of doing business.

- Costs of medications, supplies and equipment, including purchase and rental of ventilators (not billed to individual patients)
- Costs associated with establishment of alternative work locations
- IT infrastructure enhancements including additional capacity for employees working remotely
- Childcare services provided to employees (although this may be a cost of doing business)
- Facility enhancements or modifications including construction costs for temporary or mobile medical units
- Costs for redeployed, contracted or quarantined employees
- Increase in wrapped plastic utensils and to-go containers in the dietary department
- Increase in environmental services cleaning agents
- Other unreimbursed costs related to surge capacity

Please Take Note: The information provided above does not constitute legal or tax advice. The information is provided for informational/educational purposes only. Please consult with counsel regarding your organization's particular circumstances.

APPENDIX

Existing CHA and IRS Guidance on What Counts as Community Benefit

From CHA What Counts Q&A Website

DISASTER PREPAREDNESS

Question: What costs related to emergency/disaster preparedness can be counted as community benefit?

Recommendation: Costs for disaster readiness of your organization over and above accreditation, licensure requirements and standard practice may be reported as community building. Be careful not to double-count with in-kind donations and be certain that these expenses are not already captured in indirect costs.

Costs for community disaster readiness can be reported as community benefit.

The IRS instructions include as community health improvement, activities and programs that "strengthen the community health resilience by improving the ability of a community to withstand and recover from public health emergencies."

Report costs associated with:

- Participation in community-wide **assessments** of community disaster preparedness and resilience (not facility assessments).
    - Report under Category G. Community Benefit Operations when done as part of the organization's broader community health needs assessment.
    - Report under A 4Social and Environmental Improvement Activities when done as a separate assessment for community disaster preparedness.
- Participation in **planning** for preparing the community for disaster preparedness.
    - Report under G. Community Benefit Operations when done as part of the organization's implementation strategy
    - Report under A 4 Social and Environmental Improvement Activities when done as a separate plan for community disaster preparedness
- Participation in **implementing** plans associated with preparing the community for disaster preparedness (such as mental health resource costs associated with training, community partnerships, and outreach planning).
    - Report under A 4 Social and Environmental Improvement Activities
- Assisting other hospitals and health care facilities not having the resources, capacity or expertise to meet their own preparedness needs. Examples of assistance include stockpiling medical,

surgical, and pharmaceutical supplies for other health care organizations or providing staff and community member training and drills.

  - Report in category F3. Community Support. If contributions are financial, be sure to retain documentation from receiving organization that funds will be used to support a community benefit activity.

- Other costs for activities over and above accreditation, licensure requirements and standard practice.
  - Report under F3. Community Support

Note: The instructions for IRS Form 990 Schedule H state that organizations can report as community health improvement programs or activities that "strengthen community health resilience by improving the ability of a community to withstand and recover from public health emergencies."

(Updated April 2015; Updated November 2015)

CHA's *A Guide for Planning and Reporting Community Benefit* – Chapter 2: What Counts as Community Benefit

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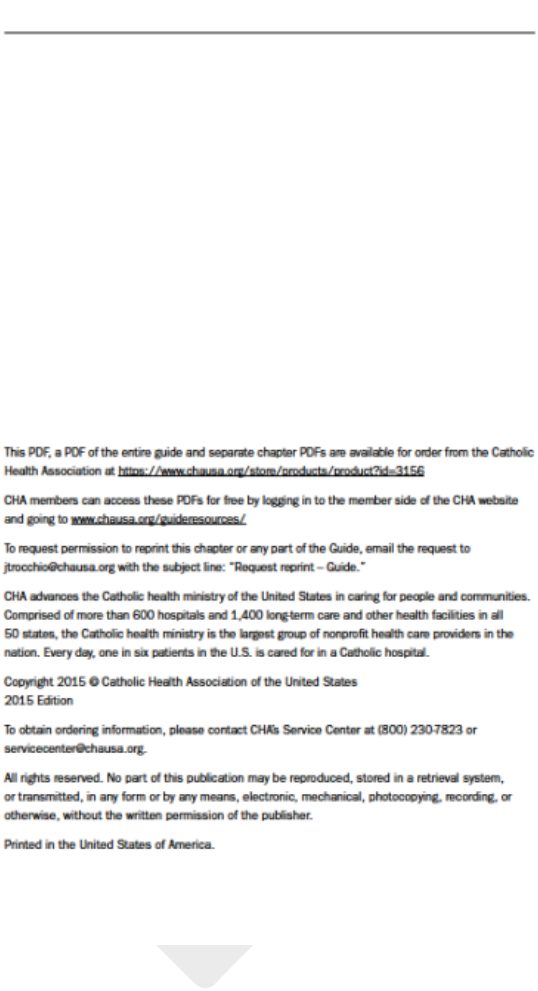

IRS 990 Schedule H Instructions

Click on image below to open document.

2019

Instructions for Schedule H (Form 990)

Hospitals

Department of the Treasury
Internal Revenue Service

Section references are to the Internal Revenue Code unless otherwise noted.

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Future Developments

For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Background. The Patient Protection and Affordable Care Act (Affordable Care Act), enacted March 23, 2010, P.L. No. 111-148, added section 501(r) to the Code. Section 501(r) includes additional requirements a **hospital organization** must meet to qualify for tax exemption under section 501(c)(3) in tax years beginning after March 23, 2010. These additional requirements address a hospital organization's financial assistance policy; policy relating to emergency medical care; billing and collections; and charges for medical care. Also, for tax years beginning after March 23, 2012, the Affordable Care Act requires hospital organizations to conduct community health needs assessments.

Because section 501(r) requires a hospital organization to meet these requirements for each of its **hospital facilities**, Part V, *Facility Information*, has been expanded to include a Section A, *Hospital Facilities*. In this section, a hospital organization must list its hospital facilities; that is, its facilities that at any time during the **tax year**, were required to be licensed, registered, or similarly recognized as a hospital under state law. Part V also includes Section B, *Facility Policies and Practices*, for reporting of information on policies and practices addressed in section 501(r). The hospital organization must complete a separate Section B for each of its hospital facilities or facility reporting groups listed in Section A.

Section 6033(b)(15)(B) also requires hospital organizations to submit a copy of their audited financial statements to the IRS. Accordingly, a hospital organization that is required to file Form 990 must attach a copy of its most recent audited financial statements to its Form 990. If the organization was included in consolidated audited financial statements but not separate audited financial statements for the tax year, then it must attach a copy of the consolidated financial statements, including details of consolidation (see instructions for Form 990, Part IV, line 20b).

Part V, Section D, requires an organization to list all of its non-hospital health care facilities that it operated during the tax year, whether or not such facilities were required to be licensed or registered under state law. The organization shouldn't complete Part V, Section B, for any of these non-hospital facilities.

TIP *Sec. 501(r) final regulations are effective for tax years beginning after 12/29/15.*

Purpose of Schedule

Hospital organizations use Schedule H (Form 990) to provide information on the activities and policies of, and community benefit provided by, its **hospital facilities** and other non-hospital health care facilities that it operated during the tax year. This includes facilities operated either directly or through disregarded entities or joint ventures.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, line 20a, must complete and attach Schedule H to Form 990.

Schedule H (Form 990) must be completed by a **hospital organization** that operated at any time during the **tax year** at least one **hospital facility**. A hospital facility is one that is required to be licensed, registered, or similarly recognized by a state as a **hospital**. A hospital organization may treat multiple buildings operated by a hospital organization under a single state license as a single hospital facility.

The organization must file a single Schedule H (Form 990) that combines information from:

1. **Hospital facilities** directly operated by the organization.
2. **Hospital facilities** operated by **disregarded entities** of which the organization is the sole member.
3. Other health care facilities and programs of the hospital organization or any of the entities described in 1 or 2, even if provided separately from the hospital's license.
4. **Hospital facilities** and other health care facilities and programs operated by any **joint venture** treated as a partnership, to the extent of the hospital organization's proportionate share of the joint venture.

Jul 09, 2019 Cat. No. 51526B