

Community Benefit Reporting: Accounting Primer

Adapted from Series of Papers on Community Benefit Reporting
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- Why providing community benefits is important
- Community benefit accounting principles
- Accounting overview for each category of community benefit (and community building)
- Tips to avoid under-reporting and over-reporting
- Appendices:
 - Consolidating amounts across entities
 - The Ratio of Patient Care Cost to Charges

Why Providing Community Benefits is Important



- Manifests commitments to mission
- Vital to improving population health
- Responds to federal expectations to focus on community health improvement
- Demonstrates continued eligibility for federal and state tax-exemption

Community Benefit Categories (IRS Form 990, Schedule H, Part I)



- Financial assistance
- Medicaid
- Other means-tested government programs
- Community health improvement services and community benefit operations
- Health professions education
- Subsidized health services
- Research funded by government and other tax-exempt sources
- Cash and in-kind contributions for community benefit

(On Schedule H, hospitals also account for community building activities in Part II and Medicare, and bad debts in Part III)

Community benefits are accounted for by quantifying the actual total expense, direct offsetting revenue, and the resultant net expense borne by the hospital

- Only report actual expense – not opportunity costs
- Use “most accurate” cost accounting methods
- Include direct and indirect (overhead) costs
- Avoid double-counting
- Include direct offsetting revenue
- If in doubt (or not stated in Schedule H instructions), follow GAAP

- Include all reportable programs
- Include indirect (overhead) expenses and also system office community benefit expenses
- Reclassify bad debt to financial assistance (if supported by data regarding patient eligibility)
- Include Medicaid provider taxes and fees
- Include subsidies to physician practices in separate EINS as restricted community benefit contributions
- And more ...

- Don't include programs misaligned with definitions of *community benefit*
- Don't include interpreter services
- Adjust the Ratio of Patient Care Cost to Charges to avoid double-counting
- Report total expenses, offsetting revenue, and net expenses (all three)
- Assure that expenses reported in Schedule H also are included in Form 990, Part IX as expense
- Don't over-report cost of student preceptor programs
- Assure that cash contributions are restricted in writing
- And more ...