

October 28, 2014 What Counts Webinar – Follow-Up Questions

Below are questions raised during the webinar and recommended actions. Please note the information provided here 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.

Q: Can costs to train contracted providers be reported as community benefit?

R: We recommend reporting the costs only if the training is open to anyone in the community.

Q: Can we report the staff time we have put into our Ebola/Hazmat/Emergency Preparedness training? This has also included training some of our other community groups: police, fire, etc. Is Ebola training and preparation a "standard of care"?

R: See CHA Q & A [website](#).

Q: Can contributions to recreational fundraising events, such as galas and golf outings, which raise funds for a clinic or health services and where we have sponsored in the past, be counted as community benefit?

R: See CHA Q & A [website](#).

Q: Does the IRS require proof from hospitals on types of community benefit activities they are performing?

R: We recommend that you keep an audit trail suggested by your finance and government relations staff of all community benefit work. The IRS does not require specific documentation.

Q: Won't the existence of two classes of states — Medicaid expansion under ACA & non-Medicaid expansion states — create different expectations/standards for benchmarking percentage of operating expense the hospital devotes to financial assistance/ Medicaid shortfall?

R: We recommend that each hospital comprehensively tell its community benefit story including a description of why community benefit expenditures may have changed over the years and the reasons for discrepancies with other local and national hospitals' level of commitment.

Q: Is there a recommended percentage of time to count as community benefit for our physicians that supervise medical students?

R: We recommend that you discuss the IRS 990, Schedule H Health Professions worksheet with finance to determine if physicians' time supervising students is already covered in the worksheet line items.

Q: We have several non-profit ambulance companies in our service area that are in the red. Can we offer them a grant if we offer to all companies in our service area? Or do we have to offer to all in our county?

R: We recommend offering grants to the ambulance companies to improve access to care for people in your community. We caution against offering grants only to those ambulance companies that bring patients to your facility.

Q: Please address research conducted through non-profit funding that is restricted funding. Does it look like the 2014 draft instructions for Schedule H excludes the research revenue to

offset the expenses?

R: The IRS requires that restricted funding be counted as offsetting revenue for all community benefit activities, including research. The draft 2014 Schedule H includes this requirement.

Q: Could you please comment about restricted accounts and counting grants?

R: Grants and donations given to the hospital for a specific program are considered restricted and must be reported as offsetting revenue. We recommend that hospitals follow generally accepted accounting principles on what constitutes a restricted grant.

Q: Would a van (with our hospital's logo all over it) with paid staff at kids' soccer and football games and providing on-site injury care, be an in-kind contribution? While it is good marketing, we are providing the service free to the community and do not refer back to our organization.

R: First, be sure there is a documented health need for this service. Then consider the primary purpose of providing the van service: Was it to have a presence at the events for public relations reasons or to ensure that any emergencies came to your facility? If so, then it would be considered marketing and not a community benefit. If the primary purpose was to provide a service, and if you did not provide the van service, the responsibility might fall to a government entity, then we recommend it be reported as community benefit. If it is reported, be sure to document why you are providing this service as a community benefit.

Q: When would research costs be reported in Part I of the Schedule H? When would it be reported in other parts of the Schedule H?

R: Research funded by a tax-exempt entity is reported on the IRS 990, Schedule H in Part I, line 7h. Research funded by a for-profit organization can be described in Part VI.

Q: Page 117 of the *Guide* refers to determining the value of in-kind contributions. For supplies that have expired or do not have inventory value the guidance states we should only report handling and transportation costs. Is the distinction that we would have to record an expense when the supplies are donated in order to report the costs as community benefit?

R: First, we don't recommend ever donating expired items. If an item still has current use but no inventory value or has been fully depreciated then there is no cost to the organization to donate it other than the cost to handle or transport the item.

Q: Would our Medical Explorer program be counted as Workforce Development? They come in and job shadow to see what health care jobs are about.

R: Yes.

Q: If we are donating cash or in-kind contributions to a domestic violence shelter should it be recorded under community building or community benefit — cash and in-kind contribution? Another example is supporting a chamber of commerce golf outing to improve economic development. Which category should that contribution be recorded?

R: If you have assessed domestic violence as a community need, we recommend counting the contribution to the domestic violence shelter as a community benefit. Be sure to restrict, in writing, the use of your contribution to a community benefit purpose. We recommend that activities to improve economic development be counted as Community Building, F2 Economic Development. However, we recommend not counting staff time playing golf at the outing.

Q: This question is in regards to costs reported under Health Professions Education, B1 Physicians/Medical Students. As the only hospital in the county, all providers are credentialed by the hospital in order to practice here and therefore are considered "medical staff." Does the CHA perspective of "medical staff" also include both providers employed by the hospital as well as those not employed by the hospital?

R: Medical staff are physicians and dentists who are approved and given privileges to provide health care to patients in a hospital or other health care facility. Medical staff personnel may work full-time or part-time and may be employed by the facility or granted admitting privileges to practice there.

Q: Would pharmacy services in an underserved community qualify as a subsidized service or is this considered an ancillary service?

R: Ancillary services primarily exist to serve patients across service lines. Hospital pharmacy is an ancillary service and should not be reported as community benefit.

Q: If a health need has been identified in a community health assessment and a grant (state, federal or local funding) has been received to fully fund programs and staff to address the health need, since there is no expense to the hospital, what if anything can a hospital count for community benefit?

R: We recommend that the full expense of the activity be reported in Part I of the IRS Form 990, Schedule H and that the amount of grant funding reported as offsetting revenue in the column for total expense. You may end up with zero net expense, but you will have reported that you did it. You can also describe the program in Part VI of the Schedule H.

Q: Can health education provided in an emergency room setting be counted as a community benefit?

R: Health education provided only to patients in the emergency room is considered a standard of care and not a community benefit.

Q: Is telemedicine for other facility patients or for education in rural areas count as a community benefit?

R: We recommend first carefully analyzing why this program is being provided. Was the reason for starting and continuing it to respond to an identified community health need or was the primary purpose to gain referrals or other benefit to the hospital? If the primary purpose of the program is to address an identified community health need, we recommend reporting this as an "in-kind" contribution in the category of "E. Cash and In-kind Contributions." You are providing the service to other organizations, not directly to patients, and services to other organizations should be reported in this category.

Q: If a hospital has a guild which serves the community by providing services for the poor and scholarships for health careers, can the hospital count this as community benefit?

R: We are assuming the "guild" is like an auxiliary organization, a volunteer group that raises funds and/or provides services for the hospital.

A hospital can only count as community benefit, expenses the hospital incurs. If the guild is part of the same EIN (has the same tax number) as the hospital, funds collected are considered of use to the hospital and the full cost of its activities that fit the criteria for community benefit can be reported. See CHA [website](#) for more information.

If the guild is an independent organization, the hospital can discuss in Schedule H part VI, the work of the guild but not take credit for any of the expenses incurred by the guild.

Q: What is CHA's recommendation on a methodology for applying indirect expenses and fringe benefits for a community benefit activity?

R: See CHA Q & A [website](#).

Q: Is there a difference in in-kind donations being countable if the colleague is a salaried or hourly person and whether the work is on a weekend (outside their normal hours, but a part of their job)?

R: If the employee has been asked to represent the hospital on paid time, the person's time, whether salaried or hourly, is an expense to the organization and may be counted as community benefit.

Q: I understand fundraising for an organization's community benefit activities counts as community benefit. But, if a grant is received can we count the amount of the grant as our community benefit?

R: The organization reports as community benefit a program's expenses and must offset these expenses with program revenue including restricted grants.

Q: Our hospital is contributing to a fundraising event for another charitable organization. In return for the sponsorship contribution we will receive our logo in the program, 10 seats at the dinner, and other benefits. Would our contribution still qualify as community benefit? Or are the benefits our hospital is receiving worth more than the contribution?

R: First, make sure the contribution is restricted, in writing, to a community benefit purpose. That means the hospital has provided a letter or other documentation that requires the recipient of the contribution to use it to support an activity or program that meets the definition of "community benefit."

To determine the amount of community benefit that may be reported, we recommend subtracting from the contribution the value of any benefits the hospital received. For example, the value of 10 dinners would be deducted from the donation.

Q: Where does the documentation that restricts the hospital's contribution to a community benefit purpose come from? Does it come from the group we are donating to?

R: The IRS requires that any contribution that is to be reported on the Schedule as community benefit should be accompanied by written documentation from the hospital restricting the contribution to be used for an activity or program that meets the definition of "community benefit."

Q: If your hospital runs a fitness facility for the community, and it is certified by the Medical Fitness Association; does the difference between your break-even cost and the discount provided to community members through the sliding-scale count for Community Benefit.

R: We do not recommend counting as community benefit the cost of running the fitness facility.

Q: Does employee time to coordinate volunteers count as a community benefit? For example, the time that our employee spends with volunteers for programs that are targeted at our patients.

R: We do not recommend that you count this time as community benefit since the volunteers are supporting programs for hospital patients. If the employee is coordinating volunteers to participate in hospital activities that are meeting an identified community health need and meet other criteria of community benefit, then their time may be reported as community benefit.

Q: What about classes held internally (within the hospital) for nurses who need special certifications such as Advanced Cardiac Life Support (ACLS) and Pediatric Advanced Life Support (PALS)?

R: We do not recommend that you count these classes since they are only for your employees and required for patient care.

Q: Sacraments are an extra community benefit. It takes around 15 to 30 minutes per patient. Not to tag the Sacrament with a price but rather the time it takes to provide the service.

R: We do not recommend that you count this service as a community benefit since it is only available to patients.

Q: Can a percentage of the cost of a community program be counted if marketing is involved, yet there is a larger portion of community education being presented as well?

R: See CHA's Q & A [webpage](#).

Q: To calculate the cost of hosting student nurses, can you include the staff time for those who the nurse students are shadowing?

R: See CHA's Q & A [website](#).

Q: What about health education developed for newspapers? Can we count staff hours spent researching the topic and writing articles?

R: We recommend counting the staff hours. However, to be reported, be sure that the education is related to an assessed community health need and not provided for marketing purposes.

Q: What about sponsorship donations to research organizations such as the American Heart Association or for organizations that promote physical activity such as the YMCA?

R: Donations to these types of organizations count if community need has been established and the organization is providing a service that meets the definition of community benefit. Providing exercise classes or other physical activities that have been documented to address the community health need can be reported.

Q: If we provide a \$1,000 sponsorship for an American Cancer Society (ACS) dinner dance, must we restrict in writing the use of our \$1,000 sponsorship to directly providing cancer education or health services (as opposed to paying the band, for example)? Or since the ACS fundraiser suggests they're raising funds for education/health services can it be assumed that our sponsorship will be used for those services and we do not need to include something in writing noting how the sponsorship should be used?

R: The IRS requires that to be reported on Schedule H, contributions for community benefit must be restricted, in writing, to activities or programs that meet the definition of community benefit. You will also need to subtract the value of the event, such as the cost of the dinner, from the total contribution amount.

Q: What is the definition of a "Health Professional?"

R: A person who has a degree, certificate or training necessary to be licensed to practice as a health professional, as required by state law, or certification by a board in the individual's health profession specialty.

Q: In regards to cash and in-kind services; is there a limit to the amount of emergency funds that can be provided to a group in the community?

R: No.

Q: If you donate two first aid kits to a Boy Scout troop, would you need to provide a letter restricting their use as you would for a cash donation? If making a donation to an organization whose entire mission is health-related community benefit, like the American Cancer Society, is it really necessary to have the written letter restricting donation to a community benefit?

R: The IRS requires written documentation for cash and in-kind donations.

Q: Can you count as community benefit the emergency department in a rural area if there is another hospital in the community that also has an emergency department?

R: We recommend you count the emergency department if it meets the criteria of a subsidized health service.

Q: At our cancer center we provide certain services that are not billable such as nurse navigators and social workers. Can we count this as community benefit?

R: We recommend that you not count these services since they represent current standard of care.

Q: What about offering an educational program to an affluent community. Does this count at community benefit?

R: If the primary purpose is to meet an identified community health need rather than to market the hospital's services, then you can count it as a community benefit. However, holding the educational program in a location that is accessible to vulnerable populations better meets the community benefit intent.

Q: What about if your hospital hands out healthy fruit snacks to children and talks to them about the importance of exercise and eating healthy snacks at a city park with hospital staff working as requested during a back to school carnival. Can staff time and the costs of the snacks be reported as community benefit?

R: We recommend counting this under Community Health Improvement as long as you are conducting this activity in response to an assessed community health need.

Q: Does cultural sensitivity training for emergency department staff count as a community benefit?

R: We do not recommend reporting this as community benefit since this is a standard of care.

Q: What are the guidelines that define the community that falls under community benefit?

R: The IRS is not prescriptive on the definition of community except that proposed IRS rules on community health needs assessments stipulates that the community may not be defined in a way that excludes medically underserved, low-income or minority populations.