



# The New Form 990: Beyond the Numbers

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# Why are you here today?

- Tax exempt status
  - Taxable until proven otherwise
- Public perception
  - Reputation at stake
- Funding relies on exemption and reputation

# What is going on in the industry?

- Public Scrutiny
  - News articles, websites
- Congressional activity
  - Joint Committee on Taxation

# Congressional Activity

- Tax 'preferred' organizations
  - Tax exempt organizations are subsidized
  - Are they doing 'public good' like they said they would?
- Segment studies
  - Do exempt hospitals need special rules?

# Panel on the Nonprofit Sector

- Convened at the request of Congress
- Recommendations:
  - Accountability
  - Transparency
  - Governance
- Specific recommendations to the IRS

# IRS response to the Panel

- Old 990 was primarily a financial report:
  - Core Form of 9 pages plus
    - Schedule A (501(c)(3)'s only)
    - Schedule B
- New 990 is an activities report:
  - Core Form of 11 pages plus
    - 16 Schedules (Sch. A thru O & R)

# Schedule H

**SCHEDULE H  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Hospitals**

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.  
▶ Attach to Form 990.  
▶ See separate instructions.

OMB No. 1545-0047

**2009**

**Open to Public  
Inspection**

Name of the organization

Employer identification number

**Part I Charity Care and Certain Other Community Benefits at Cost**

	Yes	No
<b>1a</b> Does the organization have a charity care policy? If "No," skip to question 6a . . . . .		
<b>1b</b> If "Yes," is it a written policy? . . . . .		
<b>2</b> If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
<b>3</b> Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients. <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: . . . . . <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
<b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: . . . . . <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
<b>c</b> If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
<b>4</b> Does the organization's policy provide free or discounted care to the "medically indigent"? . . . . .		
<b>5a</b> Does the organization budget amounts for free or discounted care provided under its charity care policy?		
<b>b</b> If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .		
<b>c</b> If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .		
<b>6a</b> Does the organization prepare an annual community benefit report? . . . . .		
<b>b</b> If "Yes," does the organization make it available to the public? . . . . .		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
<b>7 Charity Care and Certain Other Community Benefits at Cost</b>						
<b>Charity Care and Means-Tested Government Programs</b>						
<b>a</b> Charity care at cost (from Worksheets 1 and 2) . . . . .						
<b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .						
<b>c</b> Unreimbursed costs—other means-tested government programs (from Worksheet 3, column b) . . . . .						
<b>d</b> Total Charity Care and Means-Tested Government Programs . . . . .						
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
<b>f</b> Health professions education (from Worksheet 5) . . . . .						
<b>g</b> Subsidized health services (from Worksheet 6) . . . . .						
<b>h</b> Research (from Worksheet 7) . . . . .						
<b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8) . . . . .						
<b>j</b> Total, Other Benefits . . . . .						
<b>k</b> Total. Add lines 7d and 7j . . . . .						



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

	(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						

**Part III Bad Debt, Medicare, & Collection Practices**

**Section A. Bad Debt Expense**

	Yes	No
1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? . . . . .		
2 Enter the amount of the organization's bad debt expense (at cost) . . . . .		
3 Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy. . . . .		
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit.		

**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 in 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: <input type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

**Section C. Collection Practices**

9a Does the organization have a written debt collection policy? . . . . .	9a	
b If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI. . . . .	9b	

**Part IV Management Companies and Joint Ventures**

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				





**Part VI Supplemental Information**

Complete this part to provide the following information.

- 1** Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.
- 6** Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 7** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 8** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

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# Beyond the Numbers

- Governance
- Community benefit
- Related organizations
- Compensation
- Tax exempt bonds

# Governance

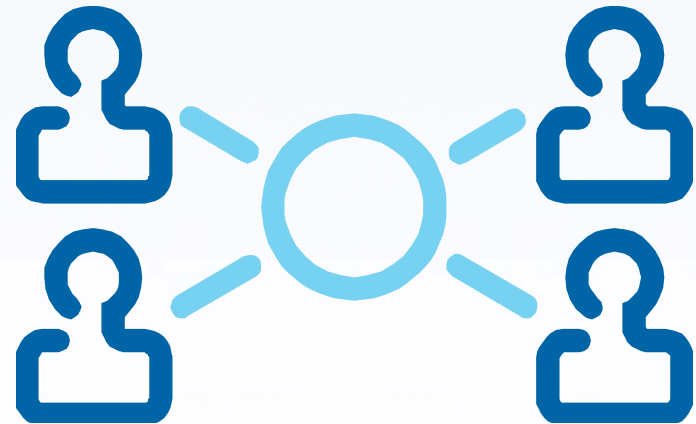
- Policies and Controls
  - The IRS does not have the authority to ask these questions, yet.
- Work with legal counsel's office
  - Create a system to monitor updates.
- Who will review the form?
  - Engage the board members

# Community Benefit

- Control the story of your hospital
  - This is an opportunity
- Gather consistent data
  - There is no set standard – create one
- Work with the public relations staff
  - This is a marketing message

# Related Organizations

- Identifying them all
  - Who's related
  - Where do you get the information
  - How much info must be reported



# Compensation

- Increased disclosure
  - New specific test for key employees
  - Compensation from related organizations
  - Must match W-2's
- Work with related organizations to capture information

# Tax Exempt Bonds

- Start gathering data now
  - Isolate each bond issue's purpose and property for recordkeeping
- Work with your bond compliance group
  - Create consistency with other bond reporting
- Work with legal counsel
  - Answers need to be consistent with issuance



# Beyond the Numbers – The Team

- Finance office
- Legal counsel
- Public relations
- Related organizations
- Investment office
- Board of Directors/Trustees



# Questions?

## Thank you for coming!