

## Definition of Community Benefit:

Community benefits are programs and services designed to improve health in communities and increase access to health care. [IRS Form 990, Schedule H instructions](#) define community benefit as activities or programs that respond to community health needs and that seek to achieve one or more of the following objectives: improving access to health services, enabling low-income persons to afford health care, enhancing public health, advancing generalizable knowledge, educating health professionals, and relieving the government burden to improve health.

Community Need may be demonstrated through: *a CHNA conducted or accessed by organization; documentation that demonstrates community need or a request from a public health agency or community group; and/or the involvement of unrelated, collaborative tax-exempt or government organizations as partners in the activity or program carried out for the express purpose of improving community health.*

## Accounting for Community Benefit

Expenses are reported in terms of cost and in compliance with [Schedule H instructions](#). Community benefit expenses are the expenses actually borne by the hospital organization, NOT charges, market value, or opportunity costs.

## Community Benefit Categories

The Internal Revenue Service (IRS) identifies eight categories of community benefit that are reportable on tax-exempt hospitals' IRS Form 990, Schedule H: financial assistance at cost (also known as charity care), Medicaid shortfall, costs of other means-tested government programs, community health improvement services and community benefit operations, health professions education, subsidized health services, research, and cash and in-kind contributions for community benefit. Additional benefits captured on the Form 990 Schedule H are community building activities.

| Definition*   | How it Benefits the Community  | Reporting Considerations*, **   |
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| <b>Financial Assistance</b>   |  |   |
| Sometimes referred to as "charity care", financial assistance is free or discounted health services provided to persons who cannot afford to pay all or portions of their medical bills and who meet the criteria specified in the organization's financial assistance policy.  | The consequences of being uninsured/under-insured are significant. "People without insurance coverage have worse access to care than people who are insured. One in five uninsured adults in 2021 went without needed medical care due to cost." (KFF)   | Amount reported is based on cost, not gross patient charges, less direct offsetting revenue.<br><br>Hospitals convert charges using either a cost-to-charge ratio (as adjusted to avoid double-counting) or another more accurate cost accounting method.   |
| <b>Medicaid and Other Means-Tested Government Programs</b>  |  |   |
| A "means-tested government program" is a government health program for which eligibility depends on the recipient's income or asset level.<br><br>"Medicaid" means the <b>United States</b> health program for individuals and families with low incomes and resources.<br><br>An example of "other means-tested" program includes: The State Children's Health Insurance Program (SCHIP).<br><br>Note that Medicare, VA Health Benefits and TriCare are not provided on a means-tested basis so are not reported.    | Medicaid and other means-tested programs continue to be vital in filling the gap in health care coverage, so all may receive the care they need. Providing care to community members, regardless of ability to pay or insurance type, increases access and improves community health.<br><br>Most hospitals' reimbursements from means-tested programs do not cover the cost of providing services. In aggregate, Medicaid reimbursements typically fall below costs, with hospitals receiving an average of 88 cents for every dollar spent care (AHA). | Amount reported is based on cost, not gross patient charges, less direct off-setting revenue, which is reported in accordance with generally accepted accounting principles (GAAP).<br><br>Hospitals convert charges using either a cost-to-charge ratio (as adjusted to avoid double-counting) or another more accurate cost accounting method.<br><br>Offsetting revenue for Medicaid includes fee-for-service and managed care from all states and Medicaid DSH, Delivery System Reform Incentive Payment (DSRIP), and Indirect Medical Education (IME) reimbursement. |
| <b>Community Health Improvement Services</b>  |  |   |
| "Community health improvement services" means activities or programs, subsidized by the health care organization, for the express purpose of improving community health. Includes community health education, community-based clinical services, health care support services, and social and environmental improvement activities.<br><br>Such services don't generate inpatient or outpatient revenue, although there may be a nominal patient fee or sliding scale fee for these services.                         | Activities extend beyond patient care activities, increasing access, enhancing care, and providing needed supports. These activities improve community health across the continuum from direct health improvement to addressing the social determinants of health  | Amount reported is total expense for each activity incurred less any offsetting revenue.<br><br>Total expense includes both direct and indirect costs for each program.<br><br>Direct offsetting revenue includes any fees paid by program participants and restricted grant funds used for qualifying programs during the year.  |
| <b>Community Benefit Operations</b>   |  |   |
| Community benefit operations are: <ul style="list-style-type: none"> <li>Activities associated with conducting community health needs assessments,</li> <li>Community benefit program administration - the organization's activities associated with fundraising or grant writing for community benefit programs.</li> </ul>  | Community benefit operations coordinate efforts across the hospital and work with the community in addressing priority health needs. Coordination and collaboration increase efficiency and effectiveness in efforts to improve community health.  | Amount reported is total expenses, direct and indirect (overhead) expense, incurred by the hospital for community benefit administrative staff, community health needs assessments (CHNAs), conferences and related administrative activities.  |
| <b>Health Professions Education</b>   |  |   |
| Educational programs that result in a degree, a certificate, or training <b>necessary</b> to be licensed to practice as a health professional, as required by state law, or continuing education <b>necessary</b> to retain state license or certification by a board in the individual's health profession specialty.<br><br>It does <b>not</b> include education or training programs available <b>exclusively</b> to the organization's employees and medical staff or scholarships provided to those individuals. | These programs are important to addressing current and future shortages of health professionals, both locally and nationally and to assure that communities preserve and enhance access to care, addressing well-established workforce needs. As an important component of their missions, hospitals provide clinical and educational experiences for many more students than are needed for their own medical and hospital staffs.  | Amount reported includes the direct and indirect expense for graduate medical education (GME) and for other health professions education (e.g., nursing students) necessary for the trainees to be licensed or certified in their field. Hospitals follow Medicare Cost Reporting principles in the accounting of GME costs.<br><br>Direct offsetting revenue includes Direct GME revenue from Medicare, Medicaid (if any) and Children's Hospital Graduate Medical Education (CHGME).  |

### Subsidized Health Services

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| <p>Clinical services provided despite a financial loss to the organization, after removing losses associated with bad debt, financial assistance, Medicaid, and other means-tested government programs, to meet an identified community need, i.e. if the organization no longer offered the service:</p> <ul style="list-style-type: none"> <li>• The service would be unavailable in the community,</li> <li>• The community's capacity to provide the service would be below the community's need, or</li> <li>• The service would become the responsibility of government or another tax-exempt organization.</li> </ul> | <p>Access to care impacts how well and how long we live. Without access to critical services, i.e. behavioral health, neonatal intensive care, emergency and clinical care, the health outcomes of community members would be negatively impacted. Providing critical services that are unprofitable and that meet a community need is community benefit.</p> <p>Tax-exempt hospitals provide subsidized health services at a loss because communities need access to the care. The subsidized health services category is included in Schedule H in recognition that tax-exempt hospital organizations are more likely than for-profit hospitals to provide relatively unprofitable clinical services (Health Affairs)</p> | <p>Amount reported is based on cost, not gross patient charges, less direct offsetting revenue, excluding losses associated with financial assistance, bad debt, and Medicaid and other means-tested government programs — all four of which are reported elsewhere on Form 990 Schedule H.</p> <p>Subsidized health services include qualifying inpatient programs (for example, addiction recovery, and inpatient psychiatric units) and outpatient programs (for example, satellite clinics designed to serve low-income communities). Subsidized health services exclude ancillary services such as anesthesiology, radiology, and laboratory departments.</p> <p>Does <u>not</u> include service lines or programs that report a net gain after expenses related to Medicaid, financial assistance, and bad debt are factored out.</p> |
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### Research

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| <p>Any study or investigation that receives funding from a tax-exempt or governmental entity, of which the goal of which is to generate increased generalizable knowledge that is made available to the public. Self-funded research can be included.</p> <p>It does <u>not</u> include research funded by an individual or for-profit entity.</p> | <p>Engaging in medical and health-related research generates knowledge that is made available to and benefits the public, enhancing the future of health care and improving the long-term welfare of the community at large.</p> | <p>Amount reported is total expenses for each activity incurred less any offsetting revenue (e.g., grants to the hospital restricted in writing for charitable research).</p> <p>Total expense includes both direct and indirect costs for qualifying research, including the proportional share of cost of the Institutional Review Board (IRB).</p> <p>Direct off-setting revenue includes any restricted grant funds and any license fees or royalties received by the hospital for research reported as community benefit currently or in past periods.</p> |
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### Cash and In-Kind Contributions for Community Benefit

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| <p>Cash contributions made by the organization to health care organizations and other community groups <b>restricted in writing</b> for one or more of the types of community benefit activities defined in Schedule H.</p> <p>In-kind contributions include the cost of staff hours donated by the organization to the community, indirect cost of space donated to tax-exempt community groups (such as for community health-related meetings), and the financial value (generally measured at cost) of donated food, equipment, and supplies.</p> | <p>Cash and in-kind contributions provide needed support and increase capacity of other non-profit organizations which provide added benefit to the community and/or improve related social determinants of health.</p> | <p>Amount reported is the cash contribution or total expenses for each in-kind activity incurred, less grants to the hospital restricted in writing for making such cash contributions.</p> <p>Report only contributions for activities that would <b>qualify as community benefit in Schedule H</b>. Include <b>written restriction</b> that funds will be used for a community benefit activity.</p> <p>Does <u>not</u> include funds contributed by employees or emergency or other funds provided to employees.</p> |
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### Community Building Activities

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| <p>Activities that protect or improve the community's health or safety. Community-building activities are programs that address the underlying causes of health problems and thus improve health status and quality of life. They focus on the root causes of health problems.</p> <p><b>Some</b> community building activities <b>may</b> also meet the definition of community health improvement services, in which case they should be reported as community health improvement services in Sch. H Part I rather than community building reported in Sch. H Part II. An organization that reports information in Part II must describe in Part VI how its community building activities <b>promote the health</b> of the communities it serves.</p> | <p>The World Health Organization defines the social determinants of health as "the conditions in which people are born, grow, work, live, and age, and the wider set of forces and systems shaping the conditions of daily life." Community building activities address the social determinants of life, impacting how long and how well people live.</p> | <p>Reported in Part II of 990 Schedule H. The amount reported is total expenses for each activity incurred less any offsetting revenue.</p> <p>Total expense includes both direct and indirect costs for each program.</p> <p>Direct offsetting revenue includes any restricted grant funds.</p> |
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#### Citations:

\* For full category definitions and accounting methods see [IRS Schedule H \(Form 990\) \(2022\) Instructions](#)

\*\* Catholic Health Association (2020), "Community Benefit Reporting: Accounting Primer", [https://www.chausa.org/docs/default-source/community-benefit/accounting-primer.pdf?sfvrsn=f313f4f2\\_2](https://www.chausa.org/docs/default-source/community-benefit/accounting-primer.pdf?sfvrsn=f313f4f2_2)

KFF, J Tolbert, P Drake, A Damico (Dec 19, 2022), "Key Facts about the Uninsured Population", <https://www.kff.org/uninsured/issue-brief/key-facts-about-the-uninsured-population/#:~:text=Because%20people%20without%20health%20coverage,declines%20in%20their%20overall%20health>

AHA, (February 2022), "Fact Sheet: Underpayment by Medicare and Medicaid", <https://www.aha.org/fact-sheets/2020-01-07-fact-sheet-underpayment-medicare-and-medicaid>

Health Affairs, (March 2022), "Hospital Service Offerings Still Differ substantially By Ownership Type" by Jill R. Horwitz and Austin Nichols, March 2022, Health Affairs, Vol. 41, No.3, accessed at: <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2021.01115>

#### Resources:

CHA (2022), *A Guide to Planning & Reporting Community Benefit* <https://www.chausa.org/communitybenefit/a-guide-for-planning-and-reporting-community-benefit>

CHA Community Benefit website <https://www.chausa.org/communitybenefit/community-benefit>



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#### About The Catholic Health Association of the United States (CHA)

For over 30 years, CHA has been the leading source of information and tools for planning and reporting [hospital community benefit](#). In 2008, CHA's accounting system for reporting community benefit was used in the development of the IRS Form 990 Schedule H.

**A Passionate Voice for Compassionate Care.** CHA represents more than 650 hospitals and 1,600 long-term care and other health facilities in all fifty states. Our hospitals were established to address health needs in their communities and that tradition continues today. Catholic hospitals are a critical source of care and services in their communities. This includes community-based services that address significant health and health-related needs reported as community benefit.

**Note:** The information provided in this document 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.