

# Healthcare Tax Update

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# Course Objectives

- Learn the latest developments from the IRS & States
- Discuss Tax Exempt Bond Reporting & Audit Triggers
- Analyze Schedule H Reporting Issues & Implications
- Apply 501(r) to new 2010 Schedule H

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# New Requirements in Health Care Reform Acts

- New IRC Section 501(r)
- Applies to Section 501(c)(3)'s operating a state-licensed hospital or otherwise having hospital care as its primary purpose or function.
- Effective Dates:
  - Generally taxable years beginning after date of enactment
  - Needs assessment – first applicable testing date for penalty purposes is in taxable year beginning after date that is 2 years after date of enactment.

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# Question

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- IRC Section 501(r) applies to what kind of organizations?
- A. All healthcare organizations
  - B. All organizations that operate as a state-licensed hospital
  - C. All organizations that are designated as a 'hospital' on Schedule A box 3
  - D. All 501(c)(3)'s that operate a state-licensed hospital or otherwise have hospital care as its primary exempt function

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# New Requirements in Health Care Reform Acts

- To be completed every 3 years by all 501(c)(3) hospitals
- Must include input from persons who represent the broad interest of the community served by the hospital, including persons having specialized knowledge or expertise in public health
- Must also adopt an implementation strategy to meet the needs identified in the assessment.
- \$50,000 excise tax/fin for failure to comply
- Effective 3/23/12

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# New Requirement: Community Health Needs Assessment

- Additional Reporting & Disclosures:
  - Attach to 990 how needs are being met (implementation)
  - Attach to 990 audited financial statements
- IRS to review community benefit activities (Sch H) at least every 3 years
  - \*Each hospital of multi-hospital system must meet requirements separately\*

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# Question

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My facility is a 'governmental hospital' exempt from 990 filing. Are we required to complete a CHNA?

- a. No
- b. Yes
- c. It depends on 501(c)(3) status.

# New Requirements in Health Care Reform Acts

- Main Requirements:
  - Community Health Needs Assessment
  - Financial Assistance Policies
  - Emergency Care
  - Limitations on Patient Charges
  - Limits on Collection Practices

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# Question

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In a multi-hospital system, what are the requirements to complete separate CHNA's for each facility & to what degree are we allowed to collaborate with other 'unrelated' hospitals'

- a. A separate report must be completed for each facility with no collaboration with other hospitals.
- b. Combined reports are permitted only amongst 'related facilities' in a multi-hospital system.
- c. Combined reports and collaboration with other hospitals is allowed.

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# Financial Assistance Policy

- Written
- Eligibility Criteria for Free or Discounted Care
- Available to the Public
  - Posted in facility
  - Brochure upon arrival
  - Website
  - Given to community leaders

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# Emergency Medical Care

- Written Policy
- Discrimination
- Any limitation on services

# Limitation on Patient Charges

- Amounts greater than “amount generally billed”
- How much to bill?
  - Lowest Negotiated Commercial Insurance Rate
  - Average of three lowest
  - Medicare rate

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# Limits on Collection Practices

- Tie back to Financial Assistance Policy
- Use of Third Parties
- Preemptive Measures
- 2010 Form 990
  - Credit Agency
  - Lawsuits
  - Liens on Residences
  - Body Attachments

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# IRS Issues Bond Audit Findings

- Lack of Compliance
- Arbitrage Issues
- Private Use Issues
- Interest in GIC's

**Expect More Audit Activity**

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# Independence, Conflicts of Interest, Relationships & 990 Reporting

- Independence usually impaired by compensation
- Conflicts of Interest usually involved certain decisions
- Relationships & Conflicts of Interest can give rise to Independence Impairment



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# Question

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Which of the following situations can impair a board member's independence?

- a. Having a family member who is employed by the hospital or a related organization
- b. Receiving compensation for services performed in the capacity of a physician arrangement.
- c. Receiving compensation for services performed in the capacity of serving as a board member
- d. Board member's company provides services for the organization
- e. All of the above.

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# QUESTIONS?

Thank You!

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