



# Healthcare tax checkups

## Podcast transcripts

### Episode 5: Benchmarking for tax-exempt hospital systems



#### Announcer

Hello, and welcome to Healthcare Tax Checkups, a KPMG podcast series featuring KPMG tax leaders on emerging and perennial tax issues impacting the healthcare industry. Today's episode explores experiences with benchmarking for tax exempt hospital systems. Such health systems use schedule H on the form 990 to report on the percentage of community benefit the hospital provides to the community which helps justify their tax exempt status. While there's no set minimum percentage required, the public nature of the information reported, coupled with its significance to a health systems tax status means that this topic is an important one for tax exempt hospital.



#### Lori Robbins

Hello everyone. And thank you for tuning into this podcast episode. I'm Lori Robbins, a Deputy Tax Industry leader of KPMG's healthcare tax practice. With me is Brittany Elliser. Brittany is a senior manager in our Developmental & Exempt Organizations practice specializing in issues involving tax exempt healthcare organizations. Brittany is based in our Baton Rouge office and has been with KPMG for 11 years. Brittany, thanks for joining us. Today we're going to talk about some of your experiences with benchmarking for tax exempt hospital systems. How did these benchmarking surveys come about and why are they important?



#### Brittany Elliser

So, as we all know, the IRS along with news media or different outlets are taking a look at the form 990. And for hospitals, there is a schedule, the Schedule H, and on that schedule is where the hospital reports the percent of community benefit that the hospital provides to its community. So as of right now, now there is no minimum percentage required to be obtained, but we have found that our clients are asking great questions. Like why is ours lower than such and such? Or what should our percentage be? So this has really opened the door for us and our teams to do a deep dive into those calculations and how they arrived at that percentage that they're reporting on the Schedule H. And it's important because this is the stuff that they get credit for. This is what makes them look good. This is what shows what they are doing in their community, and in some people's eyes what justifies their tax exempt status. So it's important to understand what makes up that calculations and it's important to get it right at the end of the day.



#### Lori Robbins

And what are some of the benefits to health systems who participate in these benchmarking projects you've been doing?



#### Brittany Elliser

I think by taking a deep dive now and getting their arms around what exactly makes up the calculation will allow them to be ready for whenever there is a required

minimum percentage that comes out. So they will know all of the areas that they can improve in, they'll know what others are doing around them. I think it's just a great way to set yourself up for what's to come.

 **Lori Robbins**

Yeah, it's a good point. Especially given that every so often community benefit gets the attention of both the IRS, but also those on the hill. I think that could be of great value to them. [inaudible 00:03:11] wondering is, as we have encountered a pandemic over the last year plus, is that impacting what you found when doing these projects? And if so, how has it impacted them?

 **Brittany Elliser**

Sure. With COVID, we all know that it came with all sorts of curve balls. But the question that we probably got asked the most this year was, how does COVID impact our Schedule H calculations? And so, for me, my response was pretty much the same every time. What did you do for your community in terms of COVID? I think sometimes it's easier to quantify it by showing, what did you provide to your local community, to the schools. Did you provide masks to them or things like that? Other times it's easier to qualify it in terms of providing it on the supplemental schedules and in the narratives. But I think it's just important to ask your service provider as to what impacts the Schedule H calculation, because as we all know with tax, there's rules and things that become complicated. So I think it's just a good conversation starter.

 **Lori Robbins**

And I don't want you to have to get into a great deal of detail with this, but I'm wondering if you can elaborate a little bit on what some of the process looks like when you're working with a client on these benchmarking exercises. How do you approach these, and what does the health system see from their end?

 **Brittany Elliser**

So to start, we ask for the client to provide their current calculation as it currently is being reported. And that's when we take a look at it at in every level of each benefit that's being reported. So we really look at what's currently being included, what should

not be included, and then what can they include that they're currently not including. It really becomes an educational session with different members of the entity's organization. It can range from financial reporting, to cost reporting people, your marketing people, it's really sort of a holistic approach that becomes necessary in order to get these calculations done correctly.

 **Lori Robbins**

Great. So you can give them some suggestions on how to really increase their community benefit that they're reporting.

 **Brittany Elliser**

Yes. Absolutely.

 **Lori Robbins**

Based on the activities, of course, that they are doing. I was wondering if you can give an example of something that you've learned in doing a number of these projects about health systems as a result of these exercises. Were there any surprises along the way?

 **Brittany Elliser**

Yes. There's been lots of surprises. I would say that the biggest surprise and the most often seen surprises that these entities are under reporting, they're not giving themselves the credit that they deserve for the good things that they're doing in the community. And so, it's really become apparent that they can do more. They can move those cost centers of where they're doing those activities and not getting the benefit of it because that entity doesn't file a Schedule H. And so, for us, it's been sort of a surprise to take a step back and have those conversations with their clients and really help them get to report the good things that they're already doing in the community.

 **Lori Robbins**

Makes a lot of sense. Before we wrap up, are there any last words or recommendations you might have for those listening?

 **Brittany Elliser**

I would say that Schedule H is just a large complex schedule. I think it's a way for the hospitals to show off and brag about all the good things that they're doing. I know I've said that many times. But I think this is a good start to the conversation, or I hope that it sparks something in someone listening that allows us to come in and have these conversations with you, do these educational sessions, and really start looking at a larger benchmarking project. It's our hope that this be beneficial for all of our clients and as well as all of the potential clients out there. So, I just encourage you to reach out to any member of your [inaudible 00:07:27] team that can help get this project started.

 **Lori Robbins**

No wonder as we see every so often increased emphasis and examination of the scheduling and community benefit, it's always good to take another look at these exercises that we do and what's being recorded. So, thank you, Brittany, for sharing your benchmarking experiences and your insights. To our podcast listeners, thank you for tuning into this episode. If you have any questions about the topics we discussed today, please reach out to Brittany, me, or your local KPMG representative.



**Announcer**

Thank you for listening to KPMG's Healthcare Tax Checkups. For more information, visit the Healthcare and Life Sciences homepage. We'll see you next time.

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