

MHA Categories of Community Benefit Activities and Programs

With reliance primarily on CHA/VHA standard reporting definitions along with MN state reporting definitions

CATEGORY	COUNT	DO NOT COUNT
<p>Community Care</p>	<p>Community Care means the costs for medical care that a hospital has determined is charity care as defined under Minnesota Rules, part 4650.0115, or for which the hospital determines after billing for the services that there is a demonstrated inability to pay. Any costs forgiven under a hospital's community care plan or under section 62J.83 may be counted in the hospital's calculation of community care. Bad debt expenses and discounted charges available to the uninsured shall not be included in the calculation of community care. The amount of community care is the value of costs incurred and not the charges made for services.</p> <ul style="list-style-type: none"> • Costs of charity care (See also MN Rules 4650 attached for more detailed definitions) • Includes charity care assignments that have been made in the collections process where a patient's demonstrated inability to pay has been determined. (See also 2007 Legislative definition attached) • Free/discounted services for those who cannot afford to pay • Amount waived in applying sliding-scale fee model • Can be estimated by calculating total charges forgiven for charity multiplied by the hospital's cost-to-charge ratio to arrive at an estimated cost from which payments from outside, unrelated philanthropic sources are deducted, resulting in an estimated total net cost of charity care services • The state's Community Care definition likely meets the spirit of the CHA/VHA charity care reporting guidelines. 	<ul style="list-style-type: none"> • Bad Debt (report in bad debt) • Charges, rather than costs, of charity care
<p>Costs in Excess of Medicaid Payments</p>	<p>This figure should reflect the patient costs BEYOND net revenues (charges less allowances) received from the Medicaid program directly, including any add-on payments such as DSH, or from Medicaid patients enrolled in managed care plans. If Medicaid-related patient costs are not readily available, a reasonable cost estimate is acceptable such as using a cost-to-charge ratio methodology.</p>	<ul style="list-style-type: none"> • Do not report discounts from charges

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<p>Costs in Excess of Other Government Payments</p>	<p>This figure should reflect the patient costs BEYOND net revenues (charges less allowances) received from other government programs designed to address the needs of special populations or the indigent such as MNCare, General Assistance Medical Care, and MN Comprehensive Health Association. Include any add-on payments such as DSH and patients from these programs enrolled in managed care plans on the revenue side. If other government-related program costs are not readily available, a reasonable cost estimate is acceptable such as using a cost-to-charge ratio methodology.</p>	<ul style="list-style-type: none"> • Do not report discounts from charges
<p>Costs of Operating Subsidized Health Services</p>	<p>Subsidized health services (negative margin services) are clinical services that are provided despite a financial loss, and the negative losses are so significant that negative margins remain after removing the effects of charity care and Medicaid shortfalls. Nevertheless, the service is provided because it meets an identified community need and if no longer offered, it would either be unavailable in the area or fall to the responsibility of government or another not-for-profit organization to provide.</p> <p>Care needs to be taken NOT TO DOUBLE-COUNT subsidized services losses including charity care and Medicaid/Medicare losses.</p> <ul style="list-style-type: none"> • Amount hospital subsidizes to maintain/offer services that would otherwise not be provided if based solely on financial decision • Emergency department • Trauma center • Air ambulance • Neonatal intensive care unit • Free-standing community clinics (e.g., school or community clinics) • Burn unit • Obstetrics • Hospice • Nursing home • Mental/behavioral health • Mobile units associated with outpatient care (e.g., mammography and radiology) • Renal/dialysis services 	<ul style="list-style-type: none"> • Subsidized services losses to the extent they include costs of charity care or Medicaid or Medicare costs.

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<p>Education Costs Page 21 CHA/VHA Guide, 2006</p>	<p>Helping to prepare the future health care professionals is a distinguishing characteristic of not-for-profit health care and constitutes a significant community benefit.</p> <ul style="list-style-type: none"> • Scholarships/funding for health professionals including physicians, nurses, technicians and other allied health professions. • Registrations, fees, travel, etc. for staff education related to community services and health improvement • Payments/contributions to scholarships or tuition for non-employees • Clinical training for undergraduate/vocational students • Internships, clerkships • Residencies • “Job shadowing” programs 	<ul style="list-style-type: none"> • Continuing medical education costs or other conferences • Financial assistance or tuition reimbursement offered as employee benefit • Expenses for physician or medical student in-service training • Employee orientation programs • CME costs • Education required for employees
<p>Research Costs Page 25 CHA/VHA Guide, 2006</p>	<p>Research includes clinical and community health research, as well as studies on health care delivery. Priority should be on issues related to reducing health disparities and preventable illness. Be sure to report any offsetting revenue to support research.</p> <ul style="list-style-type: none"> • Research development costs, using formal research protocols • Studies on therapeutic protocols • Evaluations of innovative treatments • Research papers by staff for professional journals • Studies on community health issues • Studies on health issues for vulnerable adults • Studies on innovative health care delivery models 	<ul style="list-style-type: none"> • Do not include research where findings are used internally only. • Individual patient subsidies • Services that do not generate a bill (report in charity care or community services) • Loss leaders/marketing • Studies for which hospital’s costs are paid
<p>Community Health Services Costs Page 17 CHA/VHA Guide, 2006</p>	<p>Activities carried out to improve community health for which the hospital charges little or no fees. They extend beyond patient care activities and are usually subsidized by the health care organization.</p> <ul style="list-style-type: none"> • Community health presentations or lectures • Web-based consumer health education • Media/press release (educational in nature) • Free screenings • Free, one-time or infrequent clinics 	<ul style="list-style-type: none"> • Classes primarily offered to increase hospital’s market share • In-house pastoral education program • Programs or services not offered by the hospital (i.e., offered/produced by other community groups) • Non-educational media pieces • Programs for which reimbursement is obtained from third party or for which hospital

<p>Community Health Services Costs Page 17 CHA/VHA Guide, 2006 (continued)</p>	<ul style="list-style-type: none"> • Support groups • Public program enrollment assistance services • Transportation services • Self-help, smoking cessation, weight loss, etc. • Pastoral outreach programs • Community-based chaplaincy programs • Community spiritual care • Social service programs for vulnerable populations • Mobile/van units • Telephone services (e.g., “ask-a-nurse,” hotlines, poison control) • Education programs for certain patients that do not involve diagnostic or direct care (e.g., “Living with Diabetes”) 	<p>earns a profit</p> <ul style="list-style-type: none"> • Employee wellness or health promotion provided as employee benefit • Discharge planning • Education associated with patient care
<p>Financial and in-kind contributions Page 26 CHA/VHA Guide, 2006</p>	<p>This category includes funds and in-kind services donated to individuals or the community at large. In-kind services include hours donated by staff to the community while on health care organizations work time, overhead expenses of space donated to not-for-profit community groups (such as for meetings), and donation of food, equipment and supplies.</p> <ul style="list-style-type: none"> • Grant-writing and fundraising costs associated with community service activities • Value of hours donated by staff to community while on hospital time • Overhead expenses for space used by nonprofit community groups, meetings • Donations or grants of cash, food, equipment, supplies • Contributions for sponsorships of nonprofit events • Contributions and registration fees for nonprofit/charity events that exceed value of participation • Contributions to individuals for emergency assistance • Contributions to scholarships for community members not specific to health care profession • Food donations (e.g., Meals on Wheels) • Technical assistance to nonprofits (e.g., IT, accounting, marketing) 	<ul style="list-style-type: none"> • Employee-donated funds • Employee volunteerism on their own time • Emergency funds provided for employees • Fees for sporting event tickets • Promotion and marketing costs • Salary expenses for employees on military leave or jury duty

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<p>Costs of community building activities Page 27 CHA/VHA Guide, 2006</p>	<p>Community-building activities include programs that, while not directly related to health care, provide opportunities to address the root causes of health problems, such as poverty, homelessness, and environmental problems. These activities support community assets by offering the expertise and resources of the health care organization. Costs for these activities include cash, in-kind donations, and budgeted expenditures for the development of a variety of community health programs and partnerships.</p> <ul style="list-style-type: none"> • Disaster preparedness • Community disease surveillance, reporting, preparedness efforts • Environmental improvements, pollution reduction efforts • Residential environmental improvements (e.g., lead or radon programs) • Community waste reduction or sharps disposal programs • Community leadership programs, training • Advocacy costs associated with efforts to improve access to health care, public health, transportation, education, housing • Public art, community gardens • Neighborhood improvement and revitalization • Graffiti removal • Tree planting, lighting • Small business development • Chamber of Commerce • Programs for promoting health care careers 	<ul style="list-style-type: none"> • Cash or in-kind donations made directly to other organizations that may be already reported in the “financial and in-kind contributions” area
<p>Costs of community benefit operations Page 31 CHA/VHA Guide, 2006</p>	<p>Community benefit operations include costs associated with dedicated staff, community health needs and/or assts assessment, and other costs associated with community benefit strategy and operations.</p> <ul style="list-style-type: none"> • Costs of staff or other expenses associated with management and planning community benefits program • Staff costs to coordinate community benefit volunteer programs • Community health needs assessment • Fundraising costs for community benefit programs • Community benefit report, public forums 	<ul style="list-style-type: none"> • Employee contributions • Value of hours employees volunteer during non-work time • Costs or salary for employees on military service or jury duty

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Costs in excess of Medicare payments	This figure should reflect the patient costs BEYOND net revenues (charges less allowances) received from the Medicare program directly, including any add-on payments such as DSH, or from Medicare Advantage program patients enrolled in managed care plans. If Medicaid-related patient costs are not readily available, a reasonable cost estimate is acceptable such as using a cost-to-charge ratio methodology.	<ul style="list-style-type: none"> • Do not report discounts from charges
Other care provided without compensation (bad debt)	Charges, after applicable discounts and allowances, that hospital intended to collect but which were not paid	<ul style="list-style-type: none"> • Charity care for which hospital never expected to be paid • Uninsured discounts
Uninsured discount	Value of discounts offered to uninsured patients	<ul style="list-style-type: none"> • Charity care • Discounts offered to commercial payers

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The following definitions of Charity Care, Community Care, and Bad Debt are extracted from recent 2007 legislation, and existing Minnesota Statutes and Rules. These are important to have as next year there will be required community benefits reporting through the MN Department of Health's Health Care Cost Information System HCCIS annual reporting requirements.

H.F. No. 1078, 3rd Engrossment 85th Legislative Session (2007 2008)

339.17 Subd. 5. **Annual reports on community benefit, community care amounts, and**
339.18 **state program underfunding.** (a) For each hospital reporting health care cost information
339.19 under section 144.698 or 144.702, the commissioner shall report annually on the
339.20 hospital's community benefit and community care, including detailed information on each
339.21 component of those costs as defined in this subdivision. The information shall be reported
339.22 in terms of total dollars and as a percentage of total operating costs for each hospital.
339.23 (b) For purposes of this subdivision, "community benefit" means the costs of
339.24 community care, underpayment for services provided under state health care programs,
339.25 research costs, community health services costs, financial and inkind
contributions, costs
339.26 of community building activities, costs of community benefit operations, education costs,
339.27 and the cost of operating subsidized services. The cost of bad debts and underpayment for
339.28 Medicare services are not included in the calculation of community benefit.
339.29 (c) For purposes of this subdivision, "community care" means the costs for medical
339.30 care that a hospital has determined is charity care as defined under Minnesota Rules, part
339.31 4650.0115, or for which the hospital determines after billing for the services that there is a
339.32 demonstrated inability to pay. Any costs forgiven under a hospital's community care plan
339.33 or under section 62J.83 may be counted in the hospital's calculation of community care.
339.34 Bad debt expenses and discounted charges available to the uninsured shall not be included
340.1 in the calculation of community care. The amount of community care is the value of costs
340.2 incurred and not the charges made for services.
340.3 (d) For purposes of this subdivision, "underpayment for services provided under
340.4 state health care programs" means the difference between hospital costs and public
340.5 program payments.

MN Statute reference to 62J.83 REDUCED PAYMENT AMOUNTS PERMITTED.

- (a) Notwithstanding any provision of chapter 148 or any other provision of law to the contrary, a health care provider may provide care to a patient at a discounted payment amount, including care provided for free.
- (b) This section does not apply in a situation in which the discounted payment amount

is not permitted under federal law.

History: 2006 c 255 s 26

MN Rules reference: 4650.0102 DEFINITIONS.

Subp. 7a. **Bad debt expense.** "Bad debt expense" means the dollar amount charged for care for which there was an expectation of payment but for which the patient is unwilling to pay.

Subp. 9. **Charity care adjustments.** "Charity care adjustments" means the dollar amount that would have been charged by a facility for rendering free or discounted care to persons who cannot afford to pay and for which the facility did not expect payment. For purposes of reporting under part [4650.0112](#), charity care adjustments are included in adjustments and uncollectibles.

MN Rules reference: 4650.0115 CHARITY CARE REPORTING.

Subpart 1. **Facility requirements.** For a facility to report amounts as charity care adjustments, the facility must:

- A. generate and record a charge;
- B. have a policy on the provision of charity care that contains specific eligibility criteria and is communicated or made available to patients;
- C. have made a reasonable effort to identify a third-party payer, encourage the patient to enroll in public programs, and, to the extent possible, aid the patient in the enrollment process; and
- D. ensure that the patient meets the charity care criteria of this part.

Subp. 2. **Classification as charity care adjustments.** In determining whether to classify care as charity care, the facility must consider the following:

- A. charity care may include services that the provider is obligated to render independently of the ability to collect;
- B. charity care may include care provided to patients who meet the facility's charity care guidelines and have partial coverage, but who are unable to pay the remainder of their medical bills. This does not apply to that portion of the bill that has been determined to be the patient's responsibility after a partial charity care classification by the facility;

C. charity care may include care provided to low-income patients who may qualify for a public health insurance program and meet the facility's eligibility criteria for charity care, but who do not complete the application process for public insurance despite the facility's reasonable efforts;

D. charity care may include care to individuals whose eligibility for charity care was determined through third-party services employed by the facility for information-gathering purposes only;

E. charity care does not include contractual allowances, which is the difference between gross charges and payments received under contractual arrangements with insurance companies and payers;

F. charity care does not include bad debt;

G. charity care does not include what may be perceived as underpayments for operating public programs;

H. charity care does not include unreimbursed costs of basic or clinical research or professional education and training;

I. charity care does not include professional courtesy discounts;

J. charity care does not include community service or outreach activities; and

K. charity care does not include services for patients against whom collection actions were taken that resulted in a financial obligation documented on a patient's credit report with credit bureaus.

Subp. 3. **Reporting categories.** When reporting charity care adjustments, the facility must report total dollar amounts and the number of contacts between a patient and a health care provider during which a service is provided for the following categories:

A. care to patients with family incomes at or below 275 percent of the federal poverty guideline;

B. care to patients with family incomes above 275 percent of the federal poverty guideline; and

C. care to patients when the facility, with reasonable effort, is unable to determine family incomes.

STAT AUTH: MS s [62J.321](#); [144.56](#); [144.703](#)

HIST: 26 SR 627
Current as of 01/04/02

MN Rules reference: 4650.0116 [Repealed, 19 SR 1419]
Current as of 01/04/02

MN Rules reference: 4650.0117 BAD DEBT REPORTING.

In determining whether to classify care as a bad debt expense, a facility must:

A. presume that a patient is able and willing to pay until and unless the facility has reason to consider the care as a charity care case under its charity care policy and the facility classifies the care as a charity care case; and

B. include as a bad debt expense any unpaid deductibles, coinsurance, copayments, noncovered services, and other unpaid patient responsibilities.

STAT AUTH: MS s [62J.321](#); [144.56](#); [144.703](#)

HIST: 26 SR 627 *Current as of 01/04/02*