



Hospital Transparency – H.B. 321

Not-for-profit hospitals are open and straightforward regarding their financial-related information and are supportive of efforts to make this information more available to the public. House Bill (H.B.) 321 requires each such hospital in Georgia to post a link to its financial information on the main page of its website beginning Oct. 1. Some items that are required to be posted include audited financial statements; IRS Form 990, including Schedule H; Annual Hospital Questionnaire; community benefit report; Disproportionate Share Hospital (DSH) Survey; ownership or interest in any joint ventures, partnerships or captive insurance companies; salaries of the 10 highest-paid administrative positions; indigent and charity care policies; and debt collection practices. A complete list can be found in [HB 321](#).

Frequently Asked Questions/FAQs

1. Why is the salary of the CEO/CFO/COO/[other top position] so high?

The C-suite and similar positions work in conjunction to ensure their hospital or health system is stable, up-to-date, and able to provide necessary care, not only to residents of the community, but all patients who come through their doors. C-suite staff members, especially the CEO, are responsible for a myriad of challenges on a daily basis, such as declining reimbursements from government and commercial payers, a high underinsured and uninsured population, and a growing, aging population that is putting more and more strain on hospitals and health care systems.

CEOs and the C-suite take on many responsibilities, including overseeing nursing homes and physician practices. The CEO's job is risky, demanding and significantly more complex than most other comparable positions. Like any other businesses, hospitals must achieve a positive operating margin to remain viable. However, unlike most businesses, hospitals must continue to provide services, whether or not they receive payment for those services. The CEO and C-suite must constantly address how to meet growing health care needs of their patients and communities while managing changing profit margins, challenging economic times and trying to deliver care efficiently. Financial incentives are one way to recruit and retain the highly skilled and educated individuals that are needed to lead the hospital in these positions.

In a not-for-profit hospital, its board conducts analyses to determine the CEO salary based on several factors, including hospital revenue, number of beds, and hospital quality measures. The board makes compensation decisions in light of its responsibility to preserve the mission and financial stability of the hospital.

For the betterment of all individuals, the ultimate objective is to ensure the hospital remains open and viable so it can provide services to its community. Without experienced leaders, the hospital could close, leaving its community and surrounding areas without access to care close to home.

2. *Why are a hospital's numbers different among various reports (audited financial statements, 990s, DCH Annual Hospital Questionnaire, salary forms)? Shouldn't their finances match up if they are reported out of the same organization?*

Not-for-profit hospitals must complete various forms, questionnaires and surveys related to the financial information of their organizations. The information collected may be labeled the same (e.g., charity care), but the different forms often have very different ways and instructions for calculating the information.

For example, a hospital's audited financial statement is completed by an independent accounting firm in accordance with generally accepted account principles (GAAP) and provides information about the company's overall condition and performance. The IRS Form 990, which must be completed in accordance with IRS instructions, is where hospitals report information such as their governance structure, finances and executive compensation. The Annual Hospital Questionnaire, which must be completed in accordance with instructions from the Georgia Department of Community Health, is where hospitals report general information on the hospital and the patients they treat, including management structure, bed count and aggregated patient demographic information.

Whether or not a particular form has instructions, hospitals must complete the requirements according to relevant guidelines and generally accepted accounting principles. While each form will be accurate according to the information requested, the differing instructions may result in what appears to be incongruent information.

3. *What is a captive insurance company and why do hospitals use them?*

A captive is a sophisticated type of self-insurance and a legitimate component of the risk management strategies of many American companies.

Hospitals, like all businesses, purchase insurance to protect themselves if things go wrong or mistakes are made. Health care facilities face many risks and purchase insurance for financial protection. Health care facilities can choose to self-insure, which is often achieved by creating a captive and can result in significant cost savings. A captive is an insurance company, or formalized risk-financing plan. Captives can provide savings on insurance costs and allow hospitals to invest those savings back into providing affordable, high-quality health care services to their patients and communities.

Captives are often domiciled in other countries and are subject to the laws and regulations of the country in which they are located. The United States, Bermuda, and Cayman Islands are the leading captive domiciles. Cayman is the leading domicile for health care organizations, due largely to the expertise of its regulators in this highly specialized form of insurance.

Generally accepted accounting principles require that captive funds and any revenue attributable to those funds be included in a hospital's audited financial statements. This information is publicly available to any interested individual.

4. *Why are some reports not from the most current fiscal year?*

Each hospital has a different fiscal year (FY) beginning and end. For example, one hospital's FY may begin in October 2019 and end in September 2020. Another's FY may begin in July 2019 and end in June 2020. Still another's FY may be on the calendar year, i.e., January to December 2019. Once the fiscal year has ended, it takes time (usually months) to gather necessary data, compile the information, analyze it, and produce a clear financial report. By the time the reports are completed, hospitals are already into their next fiscal year and may have been for some time. This variation is not uncommon in any industry.

There is also typically a delay in producing reports that are based on the calendar year versus the FY. For example, the Annual Hospital Questionnaire (AHQ) covers a period of one calendar year. The 2018 AHQ was due to be submitted to the Georgia Department of Community Health on March 1, 2019.

5. *Will this information be updated?*

Hospitals will update the posted information at least annually.

6. *Who generates these reports?*

Some reports require hospitals contract with third parties to prepare the report, such as with the audited financial statement. Hospitals also enlist the help of third parties to show evidence of accreditation, which is a way to demonstrate quality, a commitment to excellence and compliance with Conditions of Participation (federal regulations with which hospitals must comply to receive Medicare and Medicaid funding).

Hospitals conduct careful and thorough analyses to complete other forms, such as the IRS Form 990, the Annual Hospital Questionnaire and the community benefit report, and may or may not engage an outside company to assist with these reports. Even if a hospital does not contract with a third party, many reports are subject to audit by the state or federal government or their contractors (e.g., the DSH survey and IRS Form 990).

Whether or not an outside party is used, most information that HB 321 requires to be posted on each not-for-profit hospital's website has already been publicly available. More information can be found in the attached glossary of terms.

7. *How is this information different from what is already available?*

In most cases, the posted information is not different from what is already publicly available; however, it will now be more accessible to visitors of hospitals' websites.

8. *Once the information is posted, can I make comparisons of one hospital's financial data to another's?*

Unfortunately, it will be virtually impossible to compare any given hospital's data to another's until the official guidance is finalized by the Georgia Department of Community Health regarding how to define or interpret many of the terms and phrases used in the law. Until then, each hospital is using its best efforts to reasonably interpret the new requirements, resulting in information or reports that may vary across the industry.

[See Glossary of Terms on the next page]

Glossary of Terms

Annual Hospital Questionnaire

A form, often referred to as the “AHQ,” that all Georgia hospitals are required to complete and submit to the Georgia Department of Community Health (DCH). The AHQ collects general demographic information about each hospital and the patients it treats. Information reported on the AHQ includes the hospital’s organizational and management structure, the number of beds operated by the hospital, aggregated demographic information of the hospital’s patient population, services offered, and more. The AHQs are publicly available through DCH.

Audited Financial Statement

A thorough and comprehensive examination of a company’s records by an independent accounting firm in accordance with generally accepted accounting principles (GAAP). The audited financial statement provides information about a company’s overall condition and performance. Health systems that consist of multiple entities may choose to have a separate financial statement for each entity or include some or all entities in a consolidated financial statement. A hospital’s audited financial statements are often available via bond disclosure sites such as the Municipal Securities Rulemaking Board’s (MSRB’s) Electronic Municipal Market Access (EMMA) site.

Community Benefit Report

For purposes of the hospital transparency requirements, the Community Benefit Report refers to an annual report that some hospitals are required to submit to their local superior court which documents the cost of indigent and charity care provided by the hospital. These statutorily required reports are publicly available from the applicable superior court. Regardless of whether they are subject to the statutory reporting requirement, many hospitals compile and publish an annual community benefit report, documenting the various ways the hospital or health system has invested in their local communities. These types of community benefit reports are typically available on a hospital or health system’s website.

Disproportionate Share Hospital (DSH) Survey

Federal law requires the state to make Medicaid payments to hospitals that qualify as serving a disproportionate share of Medicaid and uninsured patients. These hospitals are referred to as “disproportionate share hospitals” or DSH. The DSH survey collects reimbursement information from hospitals to help the state determine how the Medicaid DSH payments are distributed. The state contracts with Myers & Stauffer to audit the DSH surveys, and the surveys are publicly available through the Department of Community Health.

Evidence of Accreditation

Hospitals are often accredited as a way to demonstrate quality and a commitment to excellence. Accreditation can also serve as a way to demonstrate compliance with Medicare Conditions of Participation. The two main accrediting organizations for hospitals in Georgia are The Joint Commission and DNV. Evidence of accreditation is typically displayed in the hospital and on the hospital’s website.

Going Concern Statement

A disclosure or statement made, typically in an audited financial statement, when there is substantial doubt about an organization’s ability to continue operating or when substantial doubt is alleviated as a result of the auditor’s consideration of management’s plans for the organization.

Internal Revenue Service Form 990

The Form 990 is the IRS's primary tool for gathering information about the operation of tax-exempt organizations, including hospitals. Among other things, hospitals are required to report information about their governance structure, finances, services, executive compensation, and community benefit programs. While all types of tax-exempt organizations use the Form 990, the Schedule H Form contains information specific to hospital organizations. Form 990s are publicly available from various organizations, including GuideStar and ProPublica.