The Not-For-Profit Responsibility
Social Accountability and Community Benefit

Presented to the Oklahoma Association of Homes & Services for the Aging
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Mathew 25:14-23

A Definition of Social Accountability
The governance, measurement, management and reporting of quantitative and qualitative aspects of social, ethical, environmental, economic and financial performance to both internal and external stakeholders.
In effect, it is the practice of meeting transparency and accountability needs of stakeholders while creating organizational value through the systematic management of the social, environmental, economic and financial spheres of corporate activity.


Another Definition
Social accountability: an institutional arrangement that emphasizes wider accountability framework for public policies and programmes. It involves planning, tracking and reporting in a transparent manner beyond the constituency of a particular institution;

Source: UN Economic and Social Council 1/5/06

Social Accountability in America
Alxis de Tocqueville noted the inherent American tendency to organize for the common good.
The government recognized and encouraged the tendency by developing structures which enabled cooperative ventures to develop and flourish.
Msgr. Charles J. Fahey

Social Accountability in LTC & Senior Housing
Not-for-profit long-term care and senior housing communities are an integral part of this history. They recognized the validity and vitality of cultural pluralism and of groups "taking care of their own" by meeting human needs through voluntary efforts.
Msgr. Charles J. Fahey

Social Accountability in LTC & Senior Housing
The motivation to make certain the vulnerable received needed long-term care services was spurned by religion, ethnic pride, worker solidarity, and community pride.

Such service resulted in high moral standing by most not-for-profit senior housing operations.

Msgr. Charles J. Fahey

Social Accountability in LTC & Senior Housing

Historically, not-for-profit long-term care facilities and senior housing projects have done a pretty good job of meeting the needs of the community.

However, we have done a very poor job of recording and reporting the value we return to the community.

We need to do a better job of documenting and reporting our service to the community.

Brian Farrell

Government Involvement in Social Accountability

Prior to the 20th century, there was very little government involvement in the provision or payment of care for the poor.

Services were provided primarily by not-for-profit organizations through philanthropy.

As modern medicine evolved, the non-poor began to demand more sophisticated (and costly services). Private health insurance stepped in to provide a source of financing.

Social Security began in 1935.

In 1946, the Hill-Burton Act passed. The act stimulated capital investment and modernization of hospitals.

As a condition of receiving funds, the Hill-Burton act required hospitals to provide care to the poor at no cost or substantially reduced charges.

In 1965, Medicare and Medicaid were enacted. The elderly and poor obtained health insurance.

By the late '60s, hospitals obtained 90% of their revenue from private insurance, Medicare or Medicaid.

In 1969, the IRS expanded its definition of “charitable services” and established a “community benefit” standard. Free care was still required for the poor in hospital EDs.

By 1984, only 5% of not-for-profit hospital revenue was obtained through philanthropy.

In 1983, the IRS extended tax-exemption to a hospital that did not have emergency room. Charitable requirements were modified even further. There are no absolutes, and as a result, there is built-in vagueness to the community benefit standard.

Government Involvement in Social Accountability
18 Government Involvement in Social Accountability

- 2000s – Public outcry regarding hospital billing practices:
  - Aggressive collection practices
  - Charges much higher for non-insured than for insurance companies, Medicare, or Medicaid
- Congressional hearings
- 2002 – Sarbanes-Oxley Act
  - Corporate accountability & accounting reform
  - Does not apply to NFP Healthcare, but...
  - Provisions are likely to migrate to NFP Healthcare

19 Government Involvement in Social Accountability

- Although most of the federal interest in not-for-profits has been focused on hospitals, it is probably only a matter of time before the same questions are asked of not-for-profit senior housing projects.

20 Why Is It Necessary to Have an Active Social Accountability Program?

- It is the right thing to do.
  - Mission
  - Quality First
- It is good business; shows the “not-for-profit difference”
- It is the law (sort of)
- Community activists are demanding accountability
- Labor unions are making an issue of tax-exempt status.

21 It is the right thing to do.

- The mission statements of most not-for-profit organizations have a reference to serving the needs of the community.
- Social Accountability is the foundation of AAHSA’s Quality First initiative.

22 Difference Between Proprietary and Not-For-Profit Organizations

- A proprietary organization makes decisions to increase or maintain its company’s profits. They are judged by the ability to enrich the owners.
- A not-for-profit organization makes decisions that enable the organization to provide more of their specialized service with available assets. They are judged by service to the community.

23 Difference Between Proprietary and Not-For-Profit Organizations

- The differences have been blurred as:
  - Proprietary organizations have learned the value of balanced scorecards, community relations, how to maximize profits using funds to help the financially needy.
  - Not For Profit organizations have been compelled to use more sophisticated business practices to maintain sustainability resulting in an increased focus on the bottom line.
The Reality of the Differences Between Proprietary and Not-For-Profit Long-Term Care Facilities

- Many proprietary nursing facilities have a very high Medicaid mix.
- Many Not-For-Profit nursing facilities have a very favorable Medicaid mix.
- To the uninformed observer, it may appear that the proprietary facilities are actually doing more to serve the community!
- An effective social accountability program can help show the full picture.

Law

- Some states require not-for-profit organizations to prepare and publish community benefits reports in order to qualify for exemption from state and local taxes (income, sales, and property).
- At least 17 states are considering legislation to address not-for-profit transparency.
- Oklahoma does not have such a requirement (yet). It is on the radar for the Oklahoma legislature though; SB 848 was introduced in 2005.

Law (cont.) Oklahoma SB 848

- The bill would have established a discount program for self-pay hospital patients (up to 400% of poverty level).
- The proposal required certain reporting & posting policies for hospitals.
- The bill has not passed, and it does not appear the issue will be brought up again this year.

Law (continued)

- An example of what can happen:
  - In 2004, the state of Illinois revoked the tax exempt status of a Catholic hospital (Provena Covenant) following a finding by local authorities that the hospital was not a charitable institution because of the way it treated needy patients.
  - The hospital was required to pay more than $1 million in property taxes. The case is under appeal.

  Wall Street Journal, Feb. 19, 2004

Law (continued)

- “Any business has the right to be paid for their goods and services. But if not-for-profit hospitals are going to pursue (debt) collections like any other business, then they need to pony up and pay taxes like any other business.”

  – Stan Jenkins, chairman of the Champaign County Board of Review.

Internal Revenue Service

- To satisfy the IRS requirements for a home for the aging to qualify for 501(c)(3) tax exemption, the facility must meet the following basic needs of the residents:
  - Suitable housing;
  - Healthcare; and
  - Financial security.

Internal Revenue Service
There is no precise formula to qualify for 501(c)(3) status, but they look at:
- Is the community represented on the board of directors (not just “insiders”)?
- Does the community have reasonable access?
- Is there charitable intent? (At a minimum, does the facility take Medicaid and Medicare residents?)

31 The IRS “Lesson”
- Pay close attention to whether or not you are losing focus especially in terms of access and charitable intent.
- Never discharge a resident because they do not have the resources to pay.
- Provide regular reports to the Board of Directors regarding assistance to indigent residents.
- Make sure the board of directors is made up of people who are representative of the community served.
- Be prepared to defend your tax exempt status.

32 Thoughts of Our Leaders
- “Tax-exempt status is a privilege. Unfortunately some charities abuse that privilege.”
  - Senator Charles Grassley of Iowa
  - Chairman of the Senate Finance Committee
- “What is the taxpayer getting in return for the tens of billions of dollars per year in tax subsidy?”
  - Representative Bill Thomas of California
  - House Ways and Means Committee Chairman

33 Questions to AHA from Sen. Grassley
- How should charity care discounts be calculated?
- Why is a legislative solution needed to permit discounts?
- Please provide data on numbers of uninsured, Medicare & Medicaid eligible, and patients subsidized by state and local programs.

34 Questions to AHA from Sen. Grassley
- How will AHA present the CHA model to members?
- How will AHA provide guidance regarding common definitions of charity care to members?
- Will there be changes to the AHA survey?
- Explain criteria to classify AHA members into separate constituencies.

35 Other Areas of Concern - Sen. Grassley:
- Investments in joint ventures;
- Taxable subsidiaries;
- Venture capital funds;
- Contracts for management & other administrative services;
- Executive compensation;
- Travel & expense reimbursement;
- Billing & collection practices;
- Use of tax-exempt bond proceeds;
- Conflict of interest & other governance issues;
- Public disclosure & general transparency.

36 Community Activists
"Most hospitals are profit-making entities... Taxpayers should make sure their community hospitals are providing value for their tax exemption by following strict community benefits standards and continue to question what they are getting for their money."

Citizens Against Government Waste

37  Community Activists

"The Utah Chapter formed a project committee called Citizens For True Tax Reform to challenge religious tax exemptions. Our first project was to challenge property tax exemption for nonprofit hospitals... Posing as health care charities, these hospitals... function as lucrative tax shelters for church money."

Utah Chapter of the American Atheists

38  An Observation by a Labor Union

- Should Erickson campuses qualify for non-profit status? The Wisconsin DoR finds that a company like Erickson that serves almost exclusively high-income residents likely does not serve a "public purpose" and thus should not qualify for non-profit status under state law.

Source: seiu.org

39  Other Union Observations

- "Institutions that receive special treatment from the government should be held accountable."
- "The first step to holding hospitals accountable is to demand greater transparency," including charity care and community benefits.

Crossing the Line – A Report by Care for Ohio
SEIU District 1199

40  Psalm 23

41  Outline of a Complete Social Accountability Program

- Reaffirm the commitment to the community – clarify mission & values
- Develop a plan
  - Define the service area
  - Define stakeholders
  - Identify unmet needs in the community
  - Incorporate programs to meet needs into the plan

Catholic Health Australia

42  Outline of a Complete Social Accountability Program (continued)

- Develop a Plan (continued)
  - Write a plan describing how unmet needs will be addressed through:
    - Direct Service
    - Collaboration
    - Advocacy
  - Prepare action plans
    - Description
    - Purpose
    - Target population
    - Expected outcomes
    - Timeliness
Examples of Services
- Improve the quality of life to (targeted population)
- Improve health of (targeted population)
- Improve access to needed services
- Help contain health care costs
- Reach out to the poor, minorities, disabled, and other underserved people.

Conduct Leadership Programs
- Identify unmet needs and bring to attention of other service providers
- Attract philanthropic and volunteer services
- Educate healthcare professionals and others
- Encourage research
- Advocate and educate about relevant social policies
- Promote economic development
- Provide education to facilitate support for community benefit and social accountability programs

Evaluate the Program
- Services provided and effectiveness
- Compare outcomes with goals
- Overall role of your program in the community
- Contribution to facility mission
- Links made to the wider community and targeted population
- Identify possible improvements
- Determine staff and community knowledge of the program

Community Benefits Report
- No less frequently than annually, prepare a community benefit report with a summary of the social accountability program.
- Key data must be included in the corporate annual report including facility costs related to the program.
- Other data, not related to the program can be included.

What to report:
- Unreimbursed costs of providing care to the poor – Medicaid or charitable loses
- Facility costs of programs sponsored or supported by your organization that meet one of the following criteria:
  - Financed through philanthropy, volunteer efforts, or an endowment
  - Generates a low or negative margin
  - Supports a needed community service or program that would otherwise be discontinued

Other Information That May be Reported
While this information may be reported to show the impact the organization has on the community, do not include the costs in your community benefit report.  
- Number of employees  
- Annual payroll  
- Cost of optional employee benefits  
- Total contractual allowances  
- Amount of support the community provides to your organization  
  - Volunteer hours  
  - Donations

49 What is Not a Community Benefit
- Health education designed to increase market share
- Health education that is a component of resident care
- Newsletters used as marketing tools
- Employee wellness/health promotion that are provided as an employee benefit
- Bad debt
- Support given to residents or families that is a part of a standard care protocol.

50 What is Not a Community Benefit
- Employee donated funds
- Employee costs associated with professional or community involvement when it is on the employee’s own time
- Salary expenses for military leave, jury duty, etc.
- Any activity specifically designed to increase market share or serve as an employee benefit
- Standard pastoral care/chaplaincy services.

51 Does this all seem like a lot of work???? If so, remember….

52 No task is too big if you have the right motivation and use proper technique!

53 Before you get overwhelmed…
- Keep in mind that your organization is probably already doing most of this stuff in one way or another
- But maybe you need to take a more systematic approach
- And maybe you need to do a better job of documenting and reporting the good work you do for your community.

54 For Info

55 Bishop Drumm Retirement Center
- Established by the Religious Sisters of Mercy in 1939.
- Continuing Care Retirement Community located in Johnston, Iowa
  - SNF capacity of 150 (includes dementia care unit)
  - ALF capacity of 64
  - ILU capacity of 77
- Workforce of 235
- Annual operating budget of $11 million.
**Bishop Drumm Retirement Center**

- A wholly owned subsidiary of Mercy Medical Center of Des Moines:
  - Annual operating budget of $500 million+
  - 6,600 employees
  - 917 acute care beds, clinics, college of health sciences, etc.
- Mercy is a subsidiary of Catholic Health Initiatives of Denver:
  - Annual operating budget of $7 billion+
  - 65,000 employees
  - 69 hospitals, 43 LTC facilities, etc.

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**Evolution of the BDRC Social Accountability Program**

- In 1939, the entire governing board, administration, and most of the staff were Religious Sisters of Mercy
- Over the years, lay people assumed more and more responsibility for leadership and care delivery
- By 1993, there were only a few Sisters directly involved in leadership or direct care
- Since very few women are willing to join religious communities, it was clear that this trend was irreversible

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**Evolution of the BDRC Social Accountability Program (cont.)**

- BDRC leadership recognized that the Sister’s influence was a tremendous strength, spiritually and competitively
- Furthermore, BDRC’s lay leadership knew it had the responsibility to sustain the mission of the organization and the tradition of quality care established by the Religious Sisters of Mercy

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**Evolution of the BDRC Social Accountability Program (cont.)**

- The Social Accountability Program was viewed as one initiative that could be helpful in maintaining Bishop Drumm’s identity with our founders
- The Social Accountability Program had a role in inspiring an endowment campaign that helped raise $1 million to provide assistance to the poor

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**Starting a Social Accountability Program**

- Governance endorsement
- “Selling” the concept to the staff, especially the department heads
- Introduce the concept to residents and their families

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**Starting a Social Accountability Program**

- Identify “champions” and form a social accountability Committee:
  - Executive Director actively participate on the committee, at least initially
  - Activity professional
  - Social Worker
  - Members of the line staff
  - Other stakeholders
Developing policies and procedures
- Include guidelines to help ensure that programs are consistent with the mission and values of the organization and sponsor
- Charity Care Policies
- Establish staff expectations

64 Starting a Social Accountability Program
- Committee duties:
  - Meet regularly: at least monthly until the program is established, then at least quarterly
  - Accept ideas submitted by staff, residents, and families
  - Give consideration to the facility strategic objectives, but avoid limiting social accountability to projects that are self-serving
  - Evaluate the effectiveness of programs
  - Prepare an annual Community Benefit Report
  - Provide periodic reports to the Board of Directors
  - Prepare a summary report for the 990 tax return

65 BDRC Expectations of Staff
- Administrative staff expectations:
  - Either lead one Social Accountability Initiative, or
  - Actively participate in three programs.
- Line staff – no expectations, however active participation in at least one program will result in “extra credit” on performance appraisals.

66 BDRC Administrative Staff Team

67 Examples of Projects at BDRC
- Senior Prom for the community held at the ILU
- Softball tournament for employees of area LTC facilities
- Senior Open Golf Tournament for residents of area facilities
- Johnston Luminary
- Johnston Diversity Festival

68 Examples of Projects at BDRC
- Help with yard clean-up for elderly home owner following a severe wind storm
- Help restore a play ground at a city park
- Participate in a city tree-planning event
- Daily Mass open to the public
- Allow outside groups to use conference room for meetings

69 Examples of Projects at BDRC
- Participate in fund raising events
  - Katrina relief
  - Tsunami relief
  - JDF Walk
  - Alzheimer Association Walk
  - Heart Association Walk
  - Knights of Columbus Tootsie Roll Drive
– Food bank collection
– Gather clothes, toys, etc. for the poor
– Contributions and in-kind gifts to other not-for-profit organizations

70 Examples of Projects at BDRC

Support staff in appropriate advocacy and education initiatives:
– IA Assoc. Homes & Services for the Aging
– Dietary Managers Association
– Social Worker Association
– Activity Directors Association
– Society of Fundraising Executives
– Advocacy Network for Aging Iowans
– DHS Advisory Committees
– Governor’s Conference on Aging

71 Examples of Projects at BDRC

Community Education
– Lecture medical students on long-term care at Des Moines University
– Presentation to church groups on LTC aspects of retirement planning
– Social accountability presentations to OAHSA
– LTC presentation to Better Business Bureau “Scam Jam”

72 Examples of Projects at BDRC

Assist with training of new health care professionals:
– Preceptor for administrator-in-training
– Geriatric rotations for nursing students
– CNA training site for Community College
– Iowa State University social worker internships
– Dietary Manager Trainees

73 Examples of Projects at BDRC

Support other community involvement:
– Iowa Sister States – Yamanashi Committee
– Alzheimer Family Support Group – open to the community
– Host a community education program regarding Part D Medicare
– Outreach programs:
  • Residents assist children to learn to read
  • Residents help make awards for a school

74 Service for the Poor

The most important data on your community benefits report is loses for caring for the poor

Develop a charity care policy for all levels of care within the organization

Notify the public that charity care is available

Include charitable deductions in the budget
Record Keeping

- Consider getting Community Benefit software
- Project team leaders are responsible for gathering data on specific projects
- Maintain a log to keep track of ongoing service on a routine basis
- Identify one person to gather data, compile information, and prepare an annual Community Benefits Report
- Require submission of data no less often than quarterly

Record Keeping - Log

Another Log

Compilation of Information

- Social Accountability Activity Form (categorizes information submitted on individual logs)
  - Community Health Services
  - Health Professional Education
  - Subsidized Health Services
  - Research
  - Financial Contributions
  - Community Building Activities
  - Community Benefits Operations

Compilation of Information

- Social Accountability Activity Form
  - Description of the activity
  - Contact person
  - Identifies targeted audience
  - Provides means to determine costs
  - Other information

Community Benefit Report

- Includes information driven by the Social Accountability Activity Form
- Must include loses related to provision of care to the poor
- May include narratives of programs
- May include descriptions of non-qualifying community benefits so long as costs are not included with the qualified benefits
- May include examples of community support of the organization (fundraising, volunteer support)
- Anything else you want to mention, just make sure that your reported “community benefit” meets the qualifying criteria

Care for the Poor

- From the viewpoint of most politicians, activists, and others, your commitment to caring for the poor is the single most important aspect of your social accountability program.
- In fact, for some people, all the other aspects of social accountability do not mean...
anything if the not-for-profit organization is not making a meaningful effort to serve the poor.

83 Charity Care

- Have a policy that clearly states your organization’s commitment to caring for the poor
- Caring for Medicaid-eligible residents is one way to fulfill this commitment
- Consider ways to also provide care to the poor in all levels of care within your organization
- Communicate your commitment to the public including posted notices and references to charity care in promotional literature

84 Charity Care

- Early in the process, identify residents (or potential residents) who may need financial assistance.
- If you know a resident needs financial assistance from the beginning, write-offs can be considered charity care.
- If you identify a financial need after an accounts receivable has developed, then the write-offs are bad debt, not charity care.

85 Matthew 25:40

86 Benefits of Social Accountability

- Maintain focus on the mission
- Differentiate the organization from the competition
- Public relations
- Human resources
- Resident activities
- Enhanced fundraising
- Increased volunteer support

87 Keep up the Momentum

- As is the case with many programs, the continuing success of the social accountability program depends on continuing enthusiasm and support from top leadership.
- Such programs have a way of losing momentum after the initial enthusiasm passes.

88 Questions???

89 Gary Larson