



O.C.G.A. § 31-7-22 Hospital Transparency Provisions

**Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health**

Prepared by the Georgia Alliance of Community Hospitals and Georgia Hospital Association

(a) As used in this Code section, the term “hospital” means a nonprofit hospital, a hospital owned or operated by a hospital authority, or a nonprofit corporation formed, created, or operated by or on behalf of a hospital authority.

Some hospitals have multiple campuses that operate under the same tax ID or Medicare number, but are required to maintain a separate hospital license for each campus. **To avoid inconsistent reporting, the statutory definition will be construed such that “hospital” means the “licensed hospital”.** Stated differently:

***Hospital* means a facility that (1) holds a permit to operate a hospital from the Department of Community Health, regardless of whether the facility is operated under a single or shared identifier for reimbursement or financial reporting purposes, and (2) is owned or operated by a hospital authority or a nonprofit corporation, including a nonprofit corporation formed, created or operated by or on behalf of a hospital authority.**

(b) Beginning October 1, 2019, each hospital in this state shall post a link in a prominent location on the main page of its website to the most recent version of the following documents:

Many hospitals that are a part of larger health systems do not have their own websites. Rather, the hospital may have a designated page or section on the system’s website. Providing a uniform title for the required link will help the public find the information on different websites.

Each hospital will post a link, entitled **Financial and Organizational Information Regarding Our Hospital, on the main page of its website leading to the documents, disclosures, reports, lists, and other materials required by the statute. If a hospital does not have its own separate website, the link will be posted on the webpage or main section dedicated to the hospital on the hospital’s parent company or health system website or such other prominent location as may be available.**

Any disclosures required regarding a hospital’s parent company, subsidiaries, or affiliates will be posted in the same manner and on the same webpage as the hospital disclosures.

In the event any documents are not finalized and released for the most recently completed fiscal year by the initial or subsequent posting deadline, the hospital will post the most recent version available.

**Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health**

(1) Federal related disclosures:

(A) Copies of audited financial statements that are general purpose financial statements, which express the unqualified opinion of an independent certified public accounting firm for the most recently completed fiscal year for the hospital; each of its affiliates, except those affiliates that were inactive or that had an immaterial amount of total assets; and the hospital's parent corporation that include the following:

Because the Audit Standards Board no longer uses the terminology qualified/unqualified opinions, and, instead, uses the terminology modified/unmodified, the unqualified opinion requirement is seemingly inapplicable with the exception of public companies. **Thus, “unqualified opinion” will be construed to generally refer to an unqualified, unmodified or other appropriate opinion provided by an independent auditor given in accordance with generally accepted auditing standards.**

To the extent that each entity has separate audited financial statements, hospitals will post their own, along with the statements of their parent company and subsidiaries (unless the subsidiaries are inactive or have an immaterial amount of total assets). If a hospital does not have separate, independent general purpose audited financial statements, it will post the consolidated financial statements of which the hospital is included, together with an explanatory statement list of the hospital and other entities that are included in the consolidated financial statement (if not evident in the financial statements themselves).

The terms “affiliate”, “parent company” and “subsidiary” are not defined anywhere in statute, and the term “affiliate” is used inconsistently in the statute. **Thus, Hospitals will utilize the following definitions:**

***Affiliate* means a Georgia entity that is under common control with the entity that operates the hospital. The term affiliate does not include any entity or portion or division of an entity whose primary purpose is education or research.**

***Control*, including its correlative meanings, “controlled by” and “under common control with” means ownership of 50 percent or more of the assets of a particular entity.**

***Parent company* means a Georgia entity that directly owns or controls the entity that operates the hospital.**

***Subsidiary* means an entity that is directly owned and controlled by the entity that operates the hospital.**

“Immaterial amount of total assets” is not defined in the statute (and could be construed differently by different auditors exercising their professional judgment). **Thus, Hospitals will utilize the following definition:**

***Immaterial amount of total assets* means total assets that are immaterial relative to the overall balance sheet of the entity that operates the hospital, which may include, without limitation, where the total assets of the subsidiary constitutes less than 20 percent of the total assets of the entity that operates the hospital.**

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(i) A PDF version of all audited financial statements;

(ii) A note in the hospital's audited financial statements that identifies individual amounts for such hospital's gross patient revenue, allowances, charity care, and net patient revenue;

On October 1, 2019, hospitals will be in various stages of preparing and finalizing their audited financial statements for the most recently completed fiscal year. The note requirement seeks to have hospitals track and document financial information in new, undefined ways that differ from generally accepted accounting principles. Thus, financial statements for fiscal years that begin prior to July 1, 2019, may not have the requested note and key terms such as “gross patient revenue”, “allowances” and “net patient revenue” are not defined (and could be construed differently). Hospitals do not construe the statute to require them to re-do financial statements or dual date a different version. Indeed, it may not be feasible for hospitals to revise their audited financial statements or other financial documentation to capture include the newly required information prior to the next fiscal year.

Thus, the required notes will be included in future financial statements (i.e., audited financial statements for the hospitals’ fiscal year beginning after July 1, 2019) utilizing the following definitions:

***Allowances* means variable consideration, including Medicare, Medicaid, and other contractual adjustments, bad debt (implicit price concessions), indigent and charity care, other free care, and other deductions from revenue.**

***Charity care* means indigent and charity care provided in accordance with the hospital’s financial assistance policy.**

***Gross patient revenue* means gross patient charges for care provided to patients during the reporting period.**

***Net patient revenue* means gross patient revenue minus allowances.**

(iii) Audited consolidated financial statements for hospitals with subsidiaries and consolidating financial statements that at a minimum contain a balance sheet and statement of operations and that provide a breakout of the hospital's and each subsidiary's numbers with a report from independent accountants on other financial information; and

Balance sheet information may not be available for all hospitals that operate under a larger health system or umbrella, although a statement of operations would provide the hospitals numbers; and publicly owned hospitals do not have balance sheets; they have statements of net position (i.e., there is different terminology for documents that capture equivalent information).

Additionally, there may not be any “report from independent accountants on other financial information,” particularly since the report requirement is vague and non-specific. Hospitals do not construe the statute to require them to re-do financial statements or dual date a different version.

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

Thus, in the case of hospitals with subsidiaries and consolidating financial statements, future audited financial statements will contain combining or consolidating schedules that break out financial information for the hospital and each subsidiary (which may take the form of separate balance sheets, statements of net position, statements of operation or such other information deemed acceptable by the department) together with such reports as may be required by generally accepted auditing standards for such combining or consolidating schedules.

(iv) Audited consolidated financial statements for the hospital's parent corporation and consolidating financial statements that at a minimum contain a balance sheet and statement of operations and that provide a breakout of the hospital's and each affiliate's numbers with a report from independent accountants on other financial information; and

See (1)(A)(iii) above.

In the case of hospitals with a parent company and consolidating financial statements, future audited financial statements will contain combining or consolidating schedules that break out financial information for the hospital and each affiliate (which may take the form of separate balance sheets, statements of net position, statements of operation or such other information deemed acceptable by the department) together with such reports as may be required by generally accepted auditing standards for such combining or consolidating schedules.

(B) Copy of audited Internal Revenue Service Form 990, including Schedule H for hospitals and other applicable attachments;

IRS Form 990s are not audited and IRS Schedule B contains sensitive information and is not open to public inspection per the IRS.

Thus, hospitals will post IRS Form 990 as-filed with the IRS, which encompasses the financial information of the hospital whether filed on an individual or consolidated bases, including Schedule H and other applicable attachments that are open to public inspection.

provided, however, that for any hospital not required to file IRS Form 990, the department shall establish and provide a form that collects the same information as is contained in Internal Revenue Service Form 990, including Schedule H for hospitals, as applicable; and

No form is available so this requirement will not be addressed until such time as the Department publishes a form. Alternatively, hospitals may opt to use the form created by the department for Authority participants in the RHO tax credit program.

(2) Georgia supplemental disclosures:

(A) Copy of the hospital's completed annual hospital questionnaire, as required by the department;

(B) The community benefit report prepared pursuant to Code Section 31-7-90.1, if applicable;

(C) The disproportionate share hospital survey, if applicable;

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(D) Listing of all real property holdings of the hospital, including the location and size, parcel ID number, purchase price, current use, and any improvements made to such property;

The terms “improvement” is not defined in the statute, and the term “current use” vague and could be subject to differing interpretations. Whether or not the property is used for “health care purposes” determines if it is exempt from property taxes.

Hospitals may utilize the [attached form](#) to provide a listing of all real property holdings owned the hospital. Purchase price will be provided if known. For this purpose, hospitals may use the following definitions:

***Improvement* means the permanent addition or construction of a building or structure.**

***Health care purposes* includes the provision of patient care; the provision or delivery of health care services, including supportive administrative services; the training and education of physicians, nurses and other health care personnel; and community education and outreach relating to health care or wellness.**

(E) Listing of any ownership or interest the nonprofit hospital has in any joint venture, partnership, subsidiary holding company, or captive insurance company; where any such entity is domiciled; and the value of any such ownership or interest;

The method for valuing ownership is unclear, and book value is a generally accepted means of recording value. On the other hand, determining the market value of these entities would require hospitals to contract with independent firms to conduct an annual market evaluation, which would be time consuming and require significant recurring expenses.

Hospitals may utilize the [attached form](#) to provide the requested information, which reports the book value. In the event the information required to be disclosed under this section is contained in the audited financial statement(s), hospitals may opt not to post a separate document, but instead may provide a link to the audited financial statement with a reference (such as a page or section number) documenting where to find the applicable information in the audited financial statement(s).

(F) Listing of any bonded indebtedness, outstanding loans, and bond defaults, whether or not in forbearance; and any bond disclosure sites of the hospital;

Most hospitals do not have their own disclosure sites, but rather report information to a third party such as the MSRB Electronic Municipal Market Access (EMMA) website.

Hospitals may utilize the [attached form](#) to provide the requested information. Hospitals will provide the names of any bond disclosure sites to which the hospital has submitted data or other information regarding the hospital’s bonded indebtedness. In the event the information required to be disclosed under this section is contained in the audited financial statement(s), hospitals may opt not to post a separate document, but instead may provide a link to the audited financial statement with a reference (such as a page or section number) documenting where to find the applicable information in the audited financial statement(s).

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(G) A report that identifies by purpose, the ending fund balances of the net assets of the hospital and each affiliate as of the close of the most recently completed fiscal year, distinguishing between donor permanently restricted, donor temporarily restricted, board restricted and unrestricted fund balances. The hospital's interest in its foundation shall be deducted from the foundation's total fund balance;

This requirement is vague and confusing because it contains terminology and concepts that are not grounded in generally accepted accounting principles (GAAP) (or Governmental GAAP). For example: (1) Governmental GAAP uses expendable/non-expendable terminology rather than temporarily/permanently restricted; (2) GAAP uses terminology “net assets” and Governmental GAAP uses terminology “net position” rather than “fund balance”; and (3) GAAP categories/definitions continue to change regarding restrictions on assets.

Hospitals may utilize the [attached form](#) to provide the requested information, which defers to GAAP regarding any restrictions on assets (including any required delineation between unrestricted and restricted net assets, or whether temporarily or permanently restricted but only to the extent required by GAAP). In the event the information required to be disclosed under this section is contained in the audited financial statement(s), hospitals may opt not to post a separate document, but instead may provide a link to the audited financial statement with a reference (such as a page or section number) documenting where to find the applicable information in the audited financial statement(s).

(H) Copy of all going concern statements regarding the hospital;

The meaning of “a going concern statement” is unclear. Under GAAP, disclosures are required when there is substantial doubt about an entity’s ability to continue as a going concern or when substantial doubt is alleviated as a result of consideration of management’s plans.

Hospitals will provide a copy of any notes or information in the hospitals’ audited financial statements regarding whether there is substantial doubt as to the hospital’s ability to continue as a going concern, or a statement that there is no going concern disclosure in the hospital’s audited financial statements.

(I) The most recent legal chart of corporate structure, including the hospital, each of its affiliates and subsidiaries, and its parent corporation, duly dated;

Hospitals will provide a link to a dated organizational chart for the hospital, which includes the relationship between the hospital, its subsidiaries, its parent company, and its affiliates, as applicable.

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(J) Report listing the salaries and fringe benefits for the ten highest paid administrative positions in the hospital. Each position shall be identified by its complete, unabbreviated title. Fringe benefits shall include all forms of compensation, whether actual or deferred, made to or on behalf of the employee, whether full or part-time;

The terms “administrative position” is not defined in the statute. Depending on the corporate structure of the hospital, administrative positions for the hospital may be filled by employees of the hospital or of its parent company. Small rural hospitals may not have ten administrative positions without counting lower level supervisors or even general staff.

Thus, hospitals will use the following definition:

***Administrative position* means an employee of the hospital whose job functions and duties are primarily non-clinical, which would exclude, for example, employed physicians who primarily care for patients. Management companies and similar entities that are independent contractors should not be reported as administrative positions.**

Hospitals will attempt to report in a manner generally consistent with IRS Form 990, including Schedule J. This would include, for example, using the following definition of compensation:

***Reportable compensation* means compensation reported on box 1 or 7 of Internal Revenue Service (IRS) Form W-2, whichever amount is greater, as well as boxes 6 and 7 of IRS Form 1099-MISC if the employee is also compensated as an independent contractor.**

To avoid confusion, hospitals may opt to use the [attached form](#), which is generally aligned with IRS Form 990. Likewise, hospitals will utilize the following guidelines to align reporting with IRS Form 990: The report will be for the calendar year ending with or within the hospital’s tax year. Fringe benefits will include all forms of compensation, whether actual or deferred, made to or on behalf of the employee, whether full or part-time, during the relevant reporting period. Deferred compensation will be reported only for the year when earned or accrued, whether or not funded, vested, qualified, or nonqualified, or subject to substantial risk of forfeiture. Disregarded benefits generally excluded from gross income may be excluded, including, without limitation, the following:

- (i) Qualified employee discounts;**
- (ii) No-additional cost service;**
- (iii) De minimis fringe;**
- (iv) Qualified transportation fringe; and**
- (v) Qualified retirement planning services.**

Finally, hospitals may disclose reportable compensation from the hospital or from the hospital’s parent company, subsidiaries, or affiliates on behalf of hospital for administrative positions whose primary duties are related to the operation of the hospital.

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(K) Evidence of accreditation by accrediting bodies, including, but not limited to, the Joint Commission and DNV;

Hospitals will provide evidence of accreditation by a Medicare-approved accrediting organization, including, but not limited to, the Joint Commission and DNV, obtained by the hospital for purposes of obtaining or maintaining a permit from the department or enrollment in the Medicare program, which may be in the form of a certificate, accreditation decision award letter, or such other evidence deemed acceptable by the department.

(L) Copy of the hospital's policies regarding the provision of charity care and reduced cost services to the indigent, excluding medical assistance recipients, and its debt collection practices.

Hospitals will post the hospital's indigent and charity care policies and debt collection policies, provided that policies regarding billing or collection for Medicaid beneficiaries will be excluded.

(c) Each hospital shall update the documents in the links posted pursuant to subsection (b) of this Code section on July 1 of each year or more frequently at its discretion.

Noncurrent documents shall remain posted and accessible on the hospital's website indefinitely.

Some documents will be on a different update schedule per federal or state requirements. Thus, per the statute, the most recent versions will be posted.

(d) All documents listed in subsection (b) of this Code section shall be prepared in accordance with generally accepted accounting principles, as applicable.

Private and governmental entities are subject to different reporting standards. Various disclosure requirements in the statute use terms that are not part of GAAP (or Governmental GAAP) or do not comply with GAAP and various documents (*e.g.*, AHQs) have instructions that are not in accordance with GAAP.

Thus, hospitals will use the following definition:

***Generally accepted accounting principles*” or “GAAP” means:**

- 1. For private entities, the financial reporting standards adopted by the Financial Accounting Standards Board.**
- 2. For government entities, the financial reporting standards adopted by the Governmental Accounting Standards Board.**

Additionally, all documents created by a hospital for purposes of posting pursuant to the statute will be prepared in accordance with GAAP, as applicable. However, to the extent the document description or other terminology used in the statute is not consistent with GAAP, then a hospital will assume that GAAP shall not apply. Hospitals do not construe the statute to require a hospital, its parent company, subsidiaries, or affiliates to prepare any document, including, without limitation, the IRS Form 990, annual hospital questionnaire, and disproportionate share hospital survey, in a manner that varies from the official instructions or guidelines for completing and filing such documents or to attempt to reconcile any reporting variations with GAAP.

Optional Guidelines for Hospitals
Pending Clarifying Regulations from the Department of Community Health

(e) The department shall also post a link in a prominent location on its website to the documents listed in subsection (b) of this Code section for each hospital in this state.

(f) Any hospital that fails to post the documents required pursuant to subsection (b) of this Code section within 30 days of the dates required in this Code section shall be suspended from receiving any state funds or any donations pursuant to Code Section 48-7-29.20; provided, however, that the department shall provide a hospital notice of any deficiency and opportunity to correct such deficiency prior to any suspension of funds pursuant to this subsection.

(g) The department shall have jurisdiction to enforce this Code section and to promulgate rules and regulations required to administer this Code section.

(h) Any person who knowingly and willfully includes false, fictitious, or fraudulent information in any documents required to be posted pursuant to this Code section shall be subject to a violation of Code Section 16-10-20.

Note: To attempt to reduce confusion, GACH/GHA prepared templates that member hospitals may opt to use for reporting. Certain hospitals may already capture/ report information in a different format and do not intend to change format based on templates. These referenced templates include the following attachments:

- **List of Real Property Holdings Owned by Hospital**
- **List of Hospital JVs and Ownership Interests**
- **Listing of Hospital Indebtedness**
- **Report of End of Year Net Assets**
- **Compensation/Benefits Report**

Date: July 22, 2019