

May 29, 2008

Internal Revenue Service
Draft 2008 Form 990 Instructions, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224



Re: Comments on Draft Form 990 Schedule H Instructions

The Illinois Hospital Association (IHA), on behalf of its nearly 200 members, welcomes this opportunity to submit comments on the Draft Form 990 Instructions for Schedule H. We appreciate the revisions made to the initially proposed Schedule H and believe the draft instructions provide valuable information for hospitals.

Many hospitals in Illinois have complex corporate structures and, as such, capturing the breadth of community benefit they provide is also complex. There is the potential to draw incorrect conclusions about their community benefits simply due to corporate structure. It is not clear where a hospital that, due to its corporate structure, has community benefits being provided in other entities should report those activities. We would recommend there be specific directions for this type of reporting.

Another concern is the definition of subsidized services and the exclusion from that definition of physician clinic services, skilled nursing services and ancillary services. Hospitals often will subsidize these services and incur a loss where there is a clear need in the community. Without the hospital's subsidization, these services would not be provided. This type of activity should be counted as community benefit.

The IHA believes that losses attributable to the Medicare program and bad debt are community benefits. Part III asks hospitals to provide an estimate of how much of their bad debt is attributable to patients eligible under their charity policy. It also asks for an estimate of how much of their Medicare shortfalls should be treated as community benefit. This area was addressed in the "Highlights" document dated December 20, 2007 which provided useful information as to the rationale for these questions. We suggest this discussion be included in the instructions to assist providers in completing this section.

Section B of Part III that addresses the calculation of Medicare shortfalls is confusing by its reference to "Medicare allowable costs of care". This seems to imply that hospitals are to only use Medicare cost reporting methods to calculate the shortfall. Medicare cost reporting is very different from Generally Accepted Accounting Principles (GAAP) and is used for a specific purpose. Hospitals should be allowed to use the costing method used elsewhere in Schedule H. In addition, whatever method used must ensure that the costs and revenue from the same services are included on both sides of the equation. For example, Part B physician services are removed from the definition of allowable costs on the cost report since they are paid for separately. However, the instructions state that revenue for physician services is to be included. The instructions should state that the

Headquarters
1151 East Warrenville Road
P.O. Box 3015
Naperville, Illinois 60566
630.276.5400

Springfield Office
700 South Second Street
Springfield, Illinois 62704
217.541.1150

www.ihatoday.org

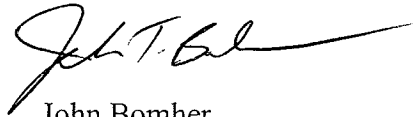
May 29, 2008

Page 2

hospital may use the most accurate costing methodology to calculate; the same instruction provided for calculation of Community Benefits in Part I.

Thank you for the opportunity to provide comments.

Sincerely,

A handwritten signature in black ink, appearing to read "John Bomher", with a long horizontal flourish extending to the right.

John Bomher
Senior Vice President
Illinois Hospital Association

Cc: American Hospital Association
Metropolitan Chicago Healthcare Council