EFFECTIVE DATE

(03-14-2024)

PURPOSE

(1) This transmits revised IRM 4.70.1, TE/GE Examinations, Affordable Care Act (ACA) Hospital Compliance Review.

MATERIAL CHANGES

(1) IRM 4.70.1.1.1, Background - Revised to provide a detailed history of the ACA Hospital Compliance Review.

(2) IRM 4.70.1.1.6, Terms, Definitions, Acronyms - Revised to explain additional acronyms.

(3) IRM 4.70.1.2, ACA RCCMS Record - Revised to indicate the three parts of the Activity Record to be completed.

(4) IRM 4.70.1.2.1, ACA RCCMS Activity Records - Revised to provide an overview of the information to be completed in the Activity Record.

(5) IRM 4.70.1.2.2, Case Establishment - Revised title to state ACA RCCMS Case Establishment.

(6) IRM 4.70.1.2.3, Tax Examiner Case Building - Revised title to ACA RCCMS Case Building: Tax Examiner and entire subsection revised to provide detailed procedures for the completion for case building.

(7) IRM 4.70.1.2.4, ACA Manager Case Assignment - Revised to clarify managerial duties.

(8) IRM 4.70.1.2.5, Revenue Agent Activity Record - Revised title to ACA RCCMS Examiner Activity Record. In addition, tables were added to list the specific RCCMS fields to be completed by the examiner.

(9) IRM 4.70.1.2.6 Revenue Agent Facility Sub-Record - Revised title to ACA RCCMS Facility Sub-Record. In addition, tables were added to provide a detailed list for instructions to complete the RCCMS tabs.

(10) IRM 4.70.1.2.7, Revenue Agent Surveys - Revised title to ACA RCCMS Examiner Surveys. In addition, detailed procedures were provided for the completion of the necessary RCCMS tabs.

(11) IRM 4.70.1.2.7.1, Survey Comments - Added new subsection to provide an overview of the Survey process.

(12) IRM 4.70.1.2.7.2, Organization Survey - Added new subsection to provide procedures for the completion of organizational surveys.

(13) IRM 4.70.1.2.7.3, Facility Survey - Added new subsection to provide procedures for the completion of facility surveys.

(14) IRM 4.70.1.2.8, Non-ACA/ACA Issues - Revised title to Examinations Referrals. In addition, detailed procedures were provided for the completion of RCCMS tabs.

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(15)   IRM 4.70.1.2.9, Non-501(r) Compliance Check Referrals - Revised title to Compliance Check Referrals. In addition, detailed procedures for the completion of the related RCCMS tabs were provided.

(16)   IRM 4.70.1.2.10, Classification Referrals - Added new subsection to provide guidance for the processing of specific referrals.

(17)   IRM 4.70.1.2.11, Non-Hospitals - Added new subsection to provide guidance for the processing of Non-Hospital referrals.

(18)   IRM 4.70.1.2.12, Dual Status Hospitals - Revised title to Dual Status Governmental Hospital. In addition, procedures for processing such referrals were updated.

(19)   IRM 4.70.1.2.14, - Reformatted subsection.

EFFECT ON OTHER DOCUMENTS

This supersedes IRM 4.70.1 dated July 07, 2021.

AUDIENCE

Tax Exempt and Government Entities
Compliance Planning & Classification
Classification and Case Assignment

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4.70.1

Affordable Care Act (ACA) Hospital Compliance Review

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4.70.1.1
(03-14-2024)
Program Scope and Objectives

(1) This IRM contains Exempt Organizations (EO) procedures for Community Benefit Reviews as required by the Affordable Care Act (ACA).

(2) It sets up guidelines for the ACA Hospital Review Group when performing reviews of tax-exempt organizations operating a licensed facility to see if they are following the requirements of IRC Section 501(c)(3) and the community Benefit Standard, as illustrated by Rev. Rul. 69-545,1969-2 C.B. 117.

(3) The ACA Hospital Review group is the intended audience for these procedures/instructions.

4.70.1.1.1
(03-14-2024)
Background

(1) The Patient Protection and Affordable Care Act (ACA), signed on March 23, 2010, added Internal Revenue Code (IRC) 501(r). The ACA has provisions that impact tax-exempt hospital organizations recognized under IRC 501(c)(3). IRC 501(r)(2) defines these tax-exempt hospitals organizations as 1) required by their state to be licensed, registered, or similarly recognized as a hospital, and 2) any other organization the Secretary determines has provision of hospital care as its principal IRC 501(c)(3) exempt function or purpose.

(2) In addition to complying with the requirements of IRC 501(c)(3), these hospital organizations must comply with new requirements under IRC 501(r).

4.70.1.1.2
(07-07-2021)
Authority

(1) The Patient Protection and Affordable Care Act (ACA), Public Law 111-148, added IRC 501(r).

(2) Public Law 111-148, Section 9007(c), *Review of Tax Exemption for Hospitals*, states "The Secretary of the Treasury or the Secretary's delegate shall review at least once every three years the community benefit activities of each hospital organization to which section 501(r) of the Internal Revenue Code (as added by this section) applies."

4.70.1.1.3
(03-14-2024)
Responsibilities

(1) Community Benefit Review cases are controlled, monitored, worked, and stored in the Reporting Compliance Case Management System (RCCMS).

(2) The activity screens are viewable based on the role or permissions assigned within RCCMS.

(3) Each level of the process completes the appropriate tabs:

- Revenue agents (RA) complete the following tabs:
  Organization,
  RA Conclusion, and
  Facilities/Surveys.
- Managers review and complete the ***Triage*** tab.
- Tax Examiners (TE) complete the ***Review*** tab.
- All employees input information on the ***Closing*** and ***Chronology*** tabs.

4.70.1.1.4
(10-05-2018)
Program Management and Review

(1) Compliance Planning & Classification (CP&C)/Classification & Case Assignment (C&CA) does statistical reporting for the ACA Hospital Review groups.

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4.70.1.1.5
(03-14-2024)
Program Controls

(1) The ACA Universe is a changing population due to hospital mergers, consolidations, terminations, and new determinations. Planning and Monitoring (P&M) maintains it.

(2) The following actions/sources maintain the universe population:

- Returns Inventory and Classification System (RICS) queries:

  - Form 990 Part IV Question 20 'YES' Responders with Schedule H
  - Form 990 Part IV Question 20 'NO' Responders with Schedule H
  - Foundation Code 12 - to identify governmental hospitals

- RCCMS - Information Factory - previous reviews

(3) The population is divided into three segments to ensure that each hospital is reviewed at least once every three years. Case selection is based on the three-year cycle. The P&M staff imports all cases into RCCMS.

(4) ACA Activity Records within RCCMS require approved roles and permissions to access.

4.70.1.1.6
(03-14-2024)
Terms, Definitions Acronyms

(1)

Acronym	Definition
AC	Activity Code
ACA	Affordable Care Act - also known as the Patient Protection & Affordable Care Act, Public Law 111-148
C&CA	Classification & Case Assignment
CA	Case Assignment
CBA	Community Benefit Activity
CCR	Case Chronology Record
CHNA	Community Health Needs Assessment
CP&C	Compliance Planning & Classification
EIN	Employer Identification Number
EO	Exempt Organizations
EUP	Employee User Portal
FAP	Financial Assistance Policy
GE	Government Entities
IDRS	Integrated Data Retrieval System
IRC	Internal Revenue Code
ITG	Indian Tribal Government
MEF	Modernized E-File
PC	Project Code

4.70.1.1.5

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Acronym	Definition
P&M	Planning & Monitoring
RA	Revenue Agent
RAIC	Revenue Agent in Charge
RCCMS	Reporting Compliance Case Management System
RICS	Returns Inventory Management System
SEIN	SOI EO Imaging Network
TC	Transaction Code
TE	Tax Examiner
TECU	Tax Exempt Compliance Unit
TE/GE	Tax Exempt & Government Entities
TIN	Taxpayer Identification Number
UBI	Unrelated Business Income

4.70.1.2
(03-14-2024)
ACA RCCMS Record

(1) Community Benefit Reviews are established on RCCMS by TEs in C&CA.

(2) The ACA Hospital Review Group's purpose is to complete community benefit reviews of IRC 501(c)(3) organizations who operate a facility required to be licensed as a hospital by a State to see if they are following the requirements of IRC 501(c)(3).

(3) The ACA Hospital Review Activity Record consists of 3 parts:

- Activity Record
- Facility Sub-Record
- Organization Survey and Facility Survey

4.70.1.2.1
(03-14-2024)
ACA RCCMS Activity Record

(1) The ACA activity screens depend on the role/permissions assigned to examiners within RCCMS. At certain levels, tabs are viewable but are read only.

(2) ACA employees have access to the Case Chronology tab, which records all automated actions.

(3) The **Hours per Case** grid in the *Closing* tab, tracks hours spent on the case.

(4) The examiner or manager enters any delays in the case processing.

(5) **Do not** record time on the Case Chronology Record (CCR).

(6) Return information is populated to the activity records from WebRICS.

4.70.1.2.2
(03-14-2024)
ACA RCCMS Case Establishment

(1) Community Benefit Reviews are uploaded via WebRICS.

Note: Programming in WebRICS automatically assigns the ACA Activity records to group 7728 unassigned inventory based on ACA Bulk Load.

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(2) RCCMS adds cases as needed to ensure the pre-populated return information is from the most current return filed.

4.70.1.2.3
(03-14-2024)
ACA RCCMS Case Building: Tax Examiner

(1) P&M analyst uses WebRICS to import cases into RCCMS Case Assignment group for Community Benefit Review.

(2) After the analyst creates the case within RCCMS, the CA manager assigns the cases to the TE's inventory to build the case by adding the appropriate case documents to the case file and completing the required fields on the ACA Activity screens.

(3) An ACA TE located in C&CA completes case building in RCCMS.

(4) The first step in building the cases is to update the status to Status 02 (Classification Processing (Case Building)).

(5) All tabs are viewable, but only input information on the Header, Organization, Closing, and Facility tabs.

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(7) TE completes the following required fields for each case on the ACA Activity screens in RCCMS:

- On the **Header** portion of the activity record, input the following fields: 0-Valid TIN indicator, Review Year, Phase and Wave.

  Note: You must ensure the fields are 100% correct because once you establish the case, you cannot change the fields.

4.70.1.2.3

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- On the "Organization Info" tab, verify or complete the following fields: Project Code (8180 - Affordable Care Act), Status Code (02 - Classification Processing) and Return Information section (verify or enter all fields from current 990).
- On the "Facilities/Surveys" tab, open the facility and verify all information and input address. If the facility is a verified state licensed facility and is not listed, click "New Facility" and input the facility information and all return information, if available.
- On the "Closing" tab, input Role, Name and Hours spent building the case file in the "Hours per case" grid.

(8)   In the **Header**, verify the "Validate for" is set to Establish, then select **Save and Close**.

(9)   Select "Actions-Establish", then **Send/Receive** to establish case.

Note: The case must be in Status 02 to establish and must be established to enter into the workflow - once established it cannot be deleted. A send/receive may have to be completed several times to unlock the activity record.

(10)   TE transfers established cases to group 7737 - select **400-Nationwide**, Secondary Business **11210-EO Compliance**, Employee Group **7737**, Status Code **08-Selected Not Assigned**, then **Send/Receive** a few times..

(11)   If an Activity Record needs to be manually established, the steps are:

1.   On the main RCCMS screen, select "New", then "Review Activity".
2.   On the header portion, complete the review year, TIN (0-valid TIN), GEN (if applicable), name, Sch H facility count, employment code, address, client code, tax period, phase, wave, hospital code, BOD code, project code (8180-Affordable Care Act), and status code (02-Classification processing). Select "Save", then follow the case building procedures to finish the case.

(12)   Cases with errors to the EIN, phase, wave, or project code require an error case closure following these steps:

1.   Transfer the case into your inventory for pre-closure process.
2.   Open the case and change the "Validate for" to close and "Status code" to status 51 (Closing evaluation).
3.   On the Triage tab, select 901 (Error case) as the "Final disposal code".
4.   Select "Save and Close" and transfer the case to the closing unit for the final close process. Do not manually build the case the new corrected case until the closing unit has closed the error case.
5.   Once the error case has closed, follow the instructions above to manually create an activity record to create a new corrected case.

(13)   When the ACA review results in a compliance check referral, the manager will assign the ACA review to a TE to close the ACA review case and build the ACA compliance check activity.

1.   TEs will check their "Unassigned inventory" inbox daily for transfer requests.
2.   In the "Unassigned" messages inbox, double click on the message and select Accept. Send/receive until the message shows up in the "Unassigned" inventory.

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3. Open the case and verify on the Facility/Survey tab that "Included in survey" is marked "yes" and both the Org survey and Facility survey are finalized. If so, "Save and Close" the case. If not completed, return the case to the ACA group and send an email to the manager explaining what needs to be corrected. Do not create the compliance check case until the review case has been corrected and sent to the closing team.

4. Under "Folder list" in RCCMS, find the case and expand it by clicking "+", then click on "Office Documents". Determine the correct Form 12 by looking at the date modified, then open the Form 12 without checking it out. Verify all information is correct, then print to a pdf and save to a new folder on your desktop. Save the document with the name control and Form 12 (XXXX Form 12), then close the document.

5. In the "Folder list", expand the folder, "Case File Documents" by clicking the "+" then select the folder for the review year you are working.

6. Locate the Sch H, open the document, print it to a pdf and save it to the same folder as Form 12 with the name (XXXX Sch H), then close the Sch H.

7. Select your case, then transfer it to the closing unit using Primary business "400-Nationwide", Secondary business "11210-EO Compliance", and Employee group "7725-ACA Closing Group".

8. Build the ACA compliance check case after the ACA review case has been closed by opening RCCMS in profile 7244, click on "New" and a new box will open "Untitled-Compliance Activity".

9. Fill out "Compliance Activity" using Form 12 and/or IDRS. In the header, mark the box for "All Electronic", uncheck the "Update AIMS" box, and enter the TIN, name and address as listed in IDRS.

10. On the Target Org tab, enter "23-TECU" as the functional unit, "400" for the primary business code, "20011" for the secondary business code, and "7234" as the employee group code.

11. On the General (1 of 2) tab, enter "Compliance Check" as the type and "590-Compliance Checks" as the activity code. The tax period will come from Form 12 and the work unit is "8014/0000".

12. On the Codes/Check Sheets tab, enter the name control from IDRS, the project code is "8014-ACA Hospital Review Compliance Checks", the source code is "62-Referral from other TEGE function", and the status code is "08-Selected Awaiting Evaluation".

13. Save and close the case.

14. The next step is to add the issue code and documents to the case. Under the folder list, find the case and click on "Issues", then select "New". In the pop-up under Activity, use the drop-down to select case name, under Exam Issue Code, select "230010.002-Healthcare-Financial Assistance Policy Issues", then save and close the pop-up. To add the documents, under the folder list, click "+" to expand the case, then click "+" to expand Research and click "Returns" to highlight it. In the drop-down next to New, select "Post Return", then "Add" and browse to the folder created previously and select the Sch H to add to the new case. To add the Form 12, click the drop-down next to New and select "Post Office Document". Select "Add", navigate to the folder previously created and select the Form 12 to add.

15. After the documents are added, establish the case and transfer it to Group 7234 by clicking to highlight the case, select "Actions", then "Establish", "OK", then send/receive a few times until the case unlocks. Once unlocked, the case can be transferred by selecting "Actions", "Transfer", then selecting "400-Nationwide" for the primary business code,

"20011-GE Compliance Services" for the secondary business code, "7234-TECU Case Assignment Group 7234" for the group code, "08-Selected, Not Assigned" for the status code and "OK". After send/receive several times, the case will leave inventory when accepted by the receiving group.

4.70.1.2.4
(03-14-2024)
ACA Manager Case Assignment

(1) The CA manager assigns established inventory to the RA, accepts closure requests and completes the triage review for the final close process.

Note: *Group manager is responsible for monitoring the assignment of cases to examiners.*

4.70.1.2.5
(03-14-2024)
ACA RCCMS Examiner Activity Record

(1) The activity screens an examiner sees depend on the role/permissions the examiner has within RCCMS. At certain levels, tabs are viewable, but are read only based on the role/permissions. All ACA employees have access to the Case Chronology tab but do not input a case chronology record. The Hours per Case grid on the Closing tab is used to track hours spent on the case.

(2) The return information populates from the activity records from RICS. Programming is in place to select the most recent filed return; because of this, cases load 75 at a time into RCCMS to secure the most recent return information. There may be an occasion when a subsequent return is filed. In this case, continue to review the return loaded to the case file and do not update the case to the subsequent return.

(3) The examiner can access the **Organization**, **RA Conclusion**, **Closing**, **Facilities/Surveys** and **Chronology** tabs.

(4) The examiner's inbox (within RCCMS) will receive a message that a case has been added to their inventory.

(5) The examiner completing the CBA review must complete the following fields on the Organization tab:

Agent Information	
Agent	Examiner assigned to work the case
Phone number	Examiner phone number
Assigned to RA date	Auto-populated based on Status 10 assignment date
RA 501(c)(3)	Yes/No based on IDRS verification of EO subsection
RA state licensed facility	Yes/No - Answer "Yes" if State website indicates licensed or registered as a hospital or Schedule H lists a hospital facility and checks state licensed.
RA schedule H filed	Yes/No based on most recent filed Form 990

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RA org type	Tax Exempt Hospital	501(c)(3), state licensed or registered, subject to 501(r), 501(c)(3), state licensed or registered, not subject to portions of review based on 1.501(r)-1(c)(2)(i)
	GE Hospital	Dual status 501(c)(3) and governmental hospital
	ITG Hospital	Dual status 501(c)(3) and Indian Tribal hospital
	Non-Hospital	501(c)(3), not state licensed, not subject to 501(r), Not 501(c)(3), state licensed, not subject to 501(r), or No longer exempt, not subject to 501(r)
	GE Non-Hospital	Not subject to 501(r), but Governmental hospital
	ITG Non-Hospital	Not subject to 501(r), but Indian Tribal hospital
Part V sec A complete	Yes/No based on most recent filed Form 990	
Part V sec B included	Yes/No based on most recent filed Form 990	
State filings reviewed	Yes/No based on the state requiring organization to file certain documents	
State/local filing documents reviewed	Check all that apply based on review	
Government entity or Indian tribal source	Check all that apply based on review which support selection of GE Hospital or ITG Hospital "Org Type"	
Part of group	Yes/No - Answer Yes if organization is part of a group exemption and included on a group return. Verify group return Form 990 H(a) "Yes", H(b)"Yes" and facility is shown on the Schedule H attached to the group return.	
Group return TIN	EIN shown on group return	

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(6)   The examiner completing the CBA review must complete the following sections on the Conclusion tab:

Does the revenue agent recommend that this organization be subject to any of the following:	
Note: *Only select one "Yes" response based on the priority of the issues. It must conclude with the completed referral form. See Compliance Check and Examination Referrals*	
Issues identified	Yes/No based on review
Issues identified explanation	Provide an explanation
RA predominant issues identified	Yes/No based on review
RA select predominant issues	Check all that apply
RA other predominant issues	If "Other" selected, provide an explanation
Changes to org structure	Yes/No based on review
Org structure explanation	Provide an explanation of the organization structure change
New org structure TIN	List the EIN of the new organization if a merger, or valid EIN if an IDRS consolidation
RA recom disposal code	Select appropriate disposal code based on review
RA other non-hospital reason	If "DC 769 - Other Non-Hospital" is selected as a disposal code, a reason code must also be selected
Final conclusion	Based on review

(7)   The examiner performing the CBA review completes the sources and IRC 4959. Use the "Hours per case" tab to record all time spent on the case.

Sources	
Source	Check all that apply
Other sources	List all other sources not shown in "Source"
Hours per case	
Role	Select from drop down
Agent Name	Select from drop down
Hours	Input hours spent

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IRC 4959 issues	
IRC 4959 liability	Yes/No based on review
Failed facilities	Enter the number of facilities impacted
Form 4720 filed	If liable, verify if Form 4720 has been filed
Closed By	
PBC	Auto-populated - Do not change
SBC	Auto-populated - Do not change
EGC	Auto-populated - Do not change

(8)   The required fields will highlight in red when you select **Validate for Close**.

(9)   Additional fields that may be required are:

- **RA Other Predominant Issues Explained**
- **Org Structure Explanation**

(10)   The bottom section of the **Closed By** tab is automatically completed when the case is closed.

(11)   On the **Facilities/Surveys** tab, create and verify Facility Sub-records and Survey completion.

Note: Facilities will be created based on the information obtained from the Form 990, Schedule H. Every facility record must be reviewed and updated with the required information.

(12)   The **New Facility** button allows the addition of Facilities Sub-records identified during the review process but not included in the Schedule H.

4.70.1.2.6
(03-14-2024)
ACA RCCMS Examiner Facility Sub-record

(1)   On the Facility Sub-record, the examiner will verify or complete applicable fields, update any if necessary, and indicate if the facility will be included in the survey.

(2)   The examiner must complete the following fields:

Facility TIN	If a separate EIN from the organization exists, indicate facility's EIN here, otherwise leave blank.
Validity TIN	If EIN is entered, always indicate Valid EIN
Facility on tax return	Check if the facility is included on the Schedule H
Include in survey	Yes/No
Facility	Required
Reporting group	If included in a reporting group on Schedule H, indicate group name

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Validity state license (registered with the state is considered the same as a license.)	If Schedule H lists and checks state licensed,	And The state recognizes it as a "hospital"	Then Indicate on the facility sub-record "yes" to include in survey and "yes" to valid state license based on state recognition as a hospital.
		One (1) license covers multiple locations/ facilities	Based on the regula- tions, 1 state license with multiple locations/ facilities can be considered 1 facility. Indicate on the licensed facility sub-record "yes" to include in survey and "yes" valid state license. On the additional sub- records, indicate "no" to include in survey and notate in the conclusion why they were not con- sidered separate facilities.
		The state website doesn't confirm that the facility is licensed sepa- rately or is operating under a combined license.	Indicate on the facility sub-record "yes" to include in survey and "yes" to valid state license based on Schedule H.
		The facility is licensed separately, however, it is not recognized as a "hospital".	Indicate on the facility sub-record "no" to include in survey and "no" to valid state license based on the state's recognition as other than a hospital facility.
	Schedule H doesn't list as a licensed, hospital	The state recognizes it as a "hospital",	Indicate on the facility sub-record "yes" to include in survey and "yes" to valid state license based on state recognition as a hospital.
Address	Required, this is not pre-populated		
Location	Rural/Urban/Suburban		
State license number	If available		

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DBA	If applicable
Fac. Website (CHNA)	Schedule H Part V Sec B Q7a
Licensed hospital	Check box on Schedule H
Gen Med Surg.	Check box on Schedule H
Children's hospital	Check box on Schedule H
Teaching hospital	Check box on Schedule H
CAH	Check box on Schedule H
Research facility	Check box on Schedule H
ER 24 hours	Check box on Schedule H
ER other	Check box on Schedule H
Other	Check box on Schedule H (text)
Part V sec B name	Schedule H Part V Sec B (Facility/Reporting group)
Part V sec B line num.	Schedule H Part V Sec B (Line Number)
Failed IRC 4959	Yes/No based on review and any indication the facility failed 501(r)
Tab 2 "Schedule H Return Info"	
Facility Licensed by State	Part V Section B Q1 – Identifies whether the organization just licensed the facility this taxable year or the previous taxable year
Facility acquired or New	Part V Section B Q2
CHNA Conducted	Part V Section B Q1 "During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)"?
Tax Year Conducted CHNA	Part V Section B Q4
CHNA widely available	Part V Section B Q5 "Did the hospital facility make its CHNA report widely available to the public"?
Adopt Implementation Strategy	Part V Section B Q8
Tax Year Implementation Strategy	Part V Section B Q9
Facility Liable 4959	Part V Section B Q12a
Facility Filed Form 4720	Part V Section B Q12b
FAP free/disc care	Part V Section B Q13
Billings and Collection Policy	Part V Section B Q17
Emergency Med Care Policy	Part V Section B Q21

Charged more than AGB	Part V Section B Q21
Charged amt equal to gross chg.	Part V Section B Q22

These fields allow the system to know whether to include the facility in the survey.

(3) Once the Facility Sub-record is updated, it must be included in the survey.

Note: Even though it may appear that you can create a survey (i.e., the button is available), the examiner cannot create and save the survey unless they select **Validate for Update** to indicate that the organization is a 501(c)(3), subject to 501(r), and has a facility to survey; otherwise, an error will occur, and the examiner cannot finalize the survey.

4.70.1.2.7
(03-14-2024)
RCCMS ACA Surveys

(1) The surveys, created in RCCMS, address questions that pertain to the organization and questions that pertain specifically to each facility.

(2) There are two surveys; an organizational survey and a facility survey.

(3) The examiner must select the button for the survey they are completing.

(4) The examiner answers the survey questions, either by selecting an option from the drop-down box corresponding to each question, by selecting the appropriate check box, or by entering a response when a given question calls for one.

4.70.1.2.7.1
(03-14-2024)
Survey Comments

(1) The survey comments provide important information concerning the completion of the surveys. The customers include the manager, triage and the next examiner to work the case. The information in the comments must provide an understanding of the examiner's method of working the case and the grounds for his or her final conclusion.

(2) Answer the survey questions as appropriate; either by selecting an option from the drop-down box corresponding to each question, checking the appropriate check box, or by entering a response when a given question calls for one.

4.70.1.2.7.2
(03-14-2024)
Organization Survey

(1) The questions in the organization survey are in sections which apply to each issue. Programmed business rules allow for the population of follow-up questions based on the response to the primary question. To access each section, click on the "next" and "previous" buttons. The question numbers are in a tri-doc format. For example, H10.4.0.0 is the primary question, H10.4.1.0 is a follow-up question, and H10.4.1.2 is a second level follow-up question based on the previous follow-up question response.

4.70.1.2.7.3
(03-14-2024)
Facility Survey

(1) The facility survey follows the same format as the organization survey. The primary difference is it shows every facility indicated on the facility sub-record that belongs in the survey. Arrows in the facility survey grid allow the examiner to move to each facility record to respond to the questions. After completing the activity screens, the facility sub-records, and the organization survey, the next step in the review is to complete the facility survey.

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4.70.1.2.7.3

| 4.70.1.2.8
(03-14-2024)
Examinations Referrals | (1) | An examination consists of the systematic inspection of the books and records of an organization for determining the correct tax liability. |
| | (2) | More specifically, an examination is a review of an organization's accounts and financial information to ensure information is reported correctly on filed returns. In addition, an examination may involve determining the organization's current or additional tax liabilities (IRC 4959). |

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| | (4) | If an examination is warranted on a Non-501(r) issue, complete a Form 5666, TE/GE Referral Information Report. |
| | (5) | Any facts and circumstances considered when determining whether an examination referral is warranted must be documented fully when completing the referral paperwork. |

| 4.70.1.2.9
(03-14-2024)
Compliance Check Referrals | (1) | A compliance check is a review, not an examination, conducted by the IRS to determine the following: |

- Whether an organization is adhering to record keeping and information reporting requirements.
- Whether an organization's activities are consistent with their stated tax-exempt purpose.

(2) It does not directly relate to determining any tax liability for any period or the verification that a response on the return coincides with the books and records of the organization. Refer cases for compliance check consideration if:

- Any required schedules are not attached,
- 501(r)(4) FAP related issues emerge, or
- Any information is missing from a required return or schedules.

> **Note:** *Any request for books and records or questions regarding tax liabilities e.g., UBI, excise tax, IRC 4959, etc. is not addressed in a compliance check.*

(3) When an examiner determines a case will be referred for a compliance check the examiner completes and saves the ACA Form 12 *"ACA Compliance Check Referral"* in the case file.

- Establish PC 8394 Non-ACA Compliance Check case based on the referral. Case is established in the Virtual shelf group.
- Establish PC 8014 ACA Compliance Check case based on the referral. Case is established in the Virtual shelf group.

(4)   See Exhibit 4.70.1-1.

| 4.70.1.2.10
(03-14-2024)
Classification Referrals | (1) | CL3 (R/C) will forward case related information concerning charitable hospital organizations to the ACA using Form 3210, "Document Transmittal", and a completed ACA Form 15, "EO CL3 Referral to ACA Hospital Review Unit, "with the issues identified. |

4.70.1.2.11 (03-14-2024) **Non-Hospitals**	(1)	ACA Non-Hospital closures are those organizations included in the current ACA Universe that are either no longer exempt under 501(c)(3) or are not recognized as a state licensed hospital facility and therefore are no longer subject to IRC 501(r).
	(2)	The purpose of the ACA Community Benefit Compliance Review program is to perform compliance reviews of tax-exempt hospital organizations to determine if they are compliant with the requirements outlined in IRC 501(r) and the community benefit requirement. There are instances during a community benefit review in which it becomes clear that an organization does not operate a hospital facility and does not belong in the ACA Universe. Examples include the following: organizations that have terminated, EINs that have consolidated to another EIN, organizations that merged with another organization, error accounts, group returns in which 501(r) does not apply, etc.
	(3)	After identifying a Non-Hospital, exclude it from the hospital universe by closing the review with the appropriate non-hospital disposal code This ensures that the entity will not be included in the universe going forward.

4.70.1.2.12 (03-14-2024) **Manager (Triage) Review**	(1)	Cases closed as a referral for examination or compliance check will be assigned to the manager for "Triage" review.
	(2)	The manager will review all cases before closing and approve the cases for final closing evaluation.
	(3)	The manager can access the following tabs in RCCMS:

- Organization
- RA Conclusion
- Closing
- RAIC Review (1 of 2)
- RAIC Review (2 of 2)
- Triage
- Review
- Facilities/Surveys and
- Chronology

	(4)	The **Organization**, **RA Conclusion**, **Closing, RAIC Review (1 of 2)**, and **RAIC Review (2 of 2)** tabs are read only. ,
	(5)	The manager will self-assign the case in Status 77 (Manager Review).
	(6)	The manager will complete the required fields on the **Triage** tab once the review is completed.

4.70.1.3 (10-05-2018) **Manager Closing Evaluation**	(1)	Closure requests are received in RCCMS' unassigned message inbox from the examiner (Status 10).
	(2)	All cases ready for closure must go through the Status 51-**Closing Evaluation** before being transferred to the Case Assignment Group for final closing.
	(3)	The manager will assign each case to inventory update status code.
	(4)	The manager will verify that all required fields in the activity records are completed based on the status codes.

(5)   The manager will verify that surveys are finalized based on the disposal code.

(6)   On the **Closing** tab, the manager will verify the examiner entered their time.

4.70.1.4
(10-05-2018)
Final Close / Closing Unit

(1)   All ACA Hospital Review cases are transferred to the ACA Case Assignment Group for final closing.

(2)   The Case Assignment Group employee will complete the final close by verifying that all required fields within RCCMS are complete and then select **Status 90, (Final Close)** - **OK**.

Note: It is not necessary to complete Primary business, Secondary business, or Employee group because ACA cases are closed to the ACA Library.

(3)   The Case Assignment Group employee will input the required transactions on IDRS:

•   TC 971, AC 318 on the tax year of the review.
•   Hospital Identifier on the EO Submodule of IDRS, if not already there.

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Exhibit 4.70.1-1   (07-07-2021)
ACA Form 17- ACA 501(r) Exam Coversheet

ACA 501(r) Issue Examination Form	
TO: Referrals/Classification	
RE: PC 8015 ACA Hospital Review Referrals	
Organization Name & Address:	
EIN:	
MFT:	
Tax Period:	
Statute of Limitations:	
Issue Code(s):	
Source Code:	62 (Referral from other TE/GE function)
Activity Code:	344 (Hospital/Other Health Services)
Tracking Number	1004 (Emerging Issue)
Project Definer Code	87 (last 2 digits ACA Review Phase & Wave)
Description of issue being referred:	

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Exhibit 4.70.1-2   (10-05-2018)

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Exhibit 4.70.1-2   Internal Revenue Manual   Cat. No. 71182Z (03-14-2024)

Exhibit 4.70.1-2 (Cont. 1) (10-05-2018)

Exhibit 4.70.1-2 (Cont. 2) (10-05-2018)

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