



Healthcare and tax: At the crossroads of change

**KPMG's tax services to
the healthcare industry**

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A modern approach to healthcare tax

Unprecedented shifts in healthcare are forcing all industry players to transform their operating models and the way they do business. For many, adapting to this dynamic, new world means facing new tax challenges, including challenges associated with tax reform. To meet these challenges, organizations at the forefront seek a different kind of tax advice—tax advice that goes beyond the present, beyond the lines that separate tax-exempt and taxable, or providers and payors—the type of advice you can expect from the Healthcare Tax professionals at KPMG.

Broad industry experience. Forward thinking. Adding value.

KPMG's Healthcare Tax professionals understand the complex business and regulatory environment in healthcare, and recognize that the tax profiles of healthcare organizations are changing just as rapidly as the industry itself. Our Tax professionals take an industry-focused approach, which turns KPMG's broad experience across the healthcare ecosystem into value for our clients. KPMG's Healthcare Tax clients benefit from our industry insights as we anticipate the potential long- and short-term tax consequences of tax reform, healthcare regulatory changes, shifts in operating and payment models, technology trends, and other influencers affecting the healthcare industry. Our forward-thinking approach and practical recommendations help our clients manage the complexities of today while preparing for the challenges of tomorrow.

KPMG's tax services to the healthcare industry

Delivering on the needs of our clients

At KPMG, our Healthcare Tax professionals understand your business, speak your language, and appreciate the day-to-day realities of operating in a highly regulated and rapidly changing environment.

We listen to our clients' concerns, and we augment our deep technical know-how with a sensitivity to nontax considerations such as federal and state healthcare and insurance regulatory regimes, reimbursement concerns, and the unique aspects of operating as a community partner or a mission-driven nonprofit organization.

We provide tax advice that is balanced and practical. Because the industry knowledge we bring to the table is not confined to a particular segment of the healthcare industry, our Healthcare Tax professionals can navigate the tax challenges that arise when a client traverses historic lines within the healthcare industry, such as when a healthcare provider expands into the health insurance market, a health insurance company acquires a provider organization, or a tax-exempt organization enters into new forms of collaboration.



Business tax services

Overview

KPMG's Business Tax professionals provide customized tax consulting and compliance services to help healthcare organizations manage their tax compliance obligations, cash tax expense, effective tax rate, and tax risks. Our teams possess deep industry experience to help you understand and implement tax reform changes, uncover opportunities, and develop effective planning strategies.

While the primary focus of our Business Tax professionals is customized client service, we also have national teams with both industry experience and deep technical skills in areas such as accounting methods, financial reporting, tax transformation and technology, real estate tax matters, tax services for exempt organizations, compensation and benefits, and tax controversy services.

Experience

Examples of services provided by KPMG's Business Tax professionals to our healthcare clients include:

- Tax accounting for revenue recognition
- Fixed asset reviews
- Construction tax planning
- R&D tax credits or section 199 deductions for EHR systems and other IT or research spend
- Lobbying expense reviews
- Consulting on Affordable Care Act and tax reform issues
- Modeling the effects of tax reform
- Tax planning for shared services and group purchasing organizations
- Tax provision assistance
- Tax compliance outsourcing and cosourcing
- Tax advice on new payment and care delivery models, risk-shifting arrangements, and business model changes.



State and local tax services

Overview

KPMG's State & Local Tax (SALT) practice

helps organizations reduce cost, navigate complex state tax audits and administrative processes, and address tax issues that may affect their financial and operational performance through a broad range of compliance, controversy, consulting, and planning services.

Our national SALT network can help you improve state and local tax compliance with insights and guidance based on our extensive experience and industry knowledge. Our services also include provision reviews, apportionment analysis, and tax controversy services, and we help you understand the potential state and local tax implications of strategic transactions. Our State Tax Resource Network professionals have strong business relationships with state tax administrators and other public officials to help you address your tax needs in a coordinated manner across multiple jurisdictions.

Experience

Examples of SALT offerings commonly provided to our healthcare clients include:

- Direct and indirect tax compliance
- Audit defense
- Multistate income and franchise tax planning
- State and local tax credits and incentives
- Sales and use tax consulting and reverse audits
- Exemption and taxability determinations
- Unclaimed property services
- Premium tax planning for health insurance providers
- Management fee and intercompany debt structuring
- SALT consulting on the implications of federal tax reform.



Mergers and acquisitions services

Overview

KPMG's Mergers & Acquisitions (M&A) Tax practice

has deep experience advising taxable and tax-exempt clients on the potential tax implications of healthcare mergers, acquisitions, joint ventures, and other strategic transactions. We help you understand the potential tax benefits and risks associated with a particular transaction, as well as the immediate and potential long-term tax implications of your structuring decisions. Our team of dedicated Healthcare M&A Tax professionals supports strategic, private equity, and venture capital investors to evaluate and execute transactions while managing potential tax exposures and identifying value-creating opportunities.

We serve clients throughout the life span of a transaction, from tax due diligence services, modeling, and transaction structuring to post-transaction integration, with an eye to balancing the tax opportunities and risks with the organization's business objectives and nontax sensitivities.

Experience

Our Healthcare M&A Tax experience includes:

- Due diligence, modeling, and structuring for acquisitions and dispositions
- Joint ventures
- For-profit and tax-exempt conversions
- Healthcare REITs
- Physician practice acquisitions and affiliations
- Private equity investments and exits
- Spin-offs
- Coordinated care structures
- Tax attribute preservation
- Post-acquisition integration
- Legal entity rationalization
- International transactions
- Section 501(r) considerations for joint ventures
- Structuring for the 20-percent qualified business income deduction.



Economic and valuation services

Overview

KPMG's Economic & Valuation Services (EVS)

professionals offer a wide range of advanced analytical services to help organizations make forward-thinking decisions about tax planning, operations, and compliance.

Experience

Examples of services commonly provided to our healthcare clients include:

- Valuation of healthcare businesses and facilities
- Purchase price allocations and cost segregation studies
- Stark and Anti-Kickback valuations of physician practices
- Valuations for financial reporting purposes
- Healthcare data analytics and other economic analyses
- Transfer pricing for shared services and management fees
- Transfer pricing for multijurisdictional groups, groups of taxable and tax-exempt entities, and groups of regulated and unregulated entities
- Operational transfer pricing.



Other tax services

Compensation & Benefits and Global Mobility

Services. KPMG's Compensation & Benefits practice offers a broad range of services to help our clients achieve their strategic goals—from traditional compensation and benefit plan tax consulting (including section 409A and 280G services, physician compensation tax issues, and total rewards design) to understanding and implementing the many changes under tax reform. Our Global Mobility Services group helps multinational organizations better manage the complexities of a globally mobile workforce.

International Tax. With cross-border activity on the rise for healthcare providers and payors, and with tax reform significantly changing the way multinational organizations are taxed, KPMG's International Tax practice is poised to help our inbound and outbound clients achieve business objectives and tax efficiency in their international operations, investments, supply chain, and captive insurance arrangements.

Washington National Tax. KPMG's Washington National Tax Healthcare Group is the technical core of our Healthcare Tax practice. This team of industry-dedicated tax advisers combines technical depth and government and private sector experience with a broad understanding of the practical issues facing taxable and tax-exempt healthcare providers and payors.



KPMG's tax services to exempt healthcare organizations

Providing holistic solutions for mission-driven organizations

Collaboration is the cornerstone of our Exempt Healthcare practice. KPMG's broad network of Development & Exempt Organizations professionals team with service line specialists and national industry resources to bring the right skill set to every engagement. Our teams also draw on the deep technical skills and government experience of our Washington

National Tax-Exempt Organizations practice and KPMG's suite of technology solutions. The result is holistic solutions that are tailored to each client's tax compliance and consulting needs.

Our Exempt Healthcare clients call on KPMG to help them manage risk, capitalize on opportunities, and navigate the ever-changing healthcare and tax landscape in an efficient, proactive, and practical manner.

Providing holistic solutions for mission-driven organizations





KPMG's tax services to health insurance providers

Serving the unique needs of a unique sector

Health insurance providers stand at the intersection of many unique taxing regimes—Subchapter L, the Affordable Care Act, state premium taxes, Section 833 (Blue Cross or Blue Shield) organizations, and exempt health maintenance organizations. The unique tax profile of each health insurance provider is further complicated by the distinctive accounting, regulatory, and business environment in which it operates.

In light of both healthcare and tax reform, health insurance companies are looking to their tax function to help them navigate change, improve efficiency, manage risk, and deliver value. KPMG's Healthcare Tax professionals understand these demands and can provide pragmatic insight and hands-on assistance to help drive the performance and impact of your tax function.

Our Healthcare Tax professionals combine industry insight, experience, and deep technical skills to provide a full range of tax compliance and consulting services to health insurance clients across all segments of the industry: commercial providers; Section 833 organizations; and exempt health maintenance organizations, provider-sponsored health plans, and self-insured employers.

Examples of our services includes tax compliance outsourcing and cosourcing arrangements, state premium tax reviews, tax technology projects, Affordable Care Act consulting, M&A advising, R&D tax credit reviews, and compensation and benefits tax consulting.

KPMG Institutes and thought leadership

The KPMG Healthcare & Life Sciences Institute

provides a forum for industry leaders to share perspectives, gain insights, and develop approaches to help balance risk and controls, and to improve performance.

The KPMG Advisory Institute is dedicated to empowering decision makers dealing with the complexities of business growth, performance, technology, risk, and compliance issues.

KPMG's Audit Committee Institute promotes the sharing of relevant information and effective audit committee processes.

The KPMG Tax Governance Institute creates a forum for sharing knowledge regarding the identification, oversight, management, and appropriate disclosure of tax risk.

The KPMG Shared Services and Outsourcing Institute examines ways that shared services and outsourcing can help transform and improve performance across information technology, human resources, finance and accounting, and real estate and facilities management.

TaxNewsFlash provides alerts of breaking, tax-related legislative, regulatory, and judicial developments.

TaxWatch Thought Leadership Series summarizes how current tax, regulatory, and legislative developments affect your business.

KPMG's Center for Healthcare Regulatory Insight was established in 2015 to assess regulatory and policy trends driving healthcare transformation and industry convergence. The Center focuses on healthcare and life sciences policy and regulation and the broader implications of operating in a more collaborative and integrated U.S. healthcare payment and delivery environment.

www.kpmg-institutes.com

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Some of these services described herein may not be permissible for KPMG audit clients and their affiliates.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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