

**POLICY TITLE: REIMBURSEMENT OF BUSINESS EXPENSES****Former Policy Title:****POLICY PURPOSE:**

To provide employees with a general overview of eligible reimbursable business expenses and the process to be reimbursed. The IRS publication 463 *Travel, Entertainment, Gift, and Car Expenses* should be used as a supplement to this Policy. Where Lancaster General Health (LG Health) policies are more strict than the IRS code, LG Health policy will take precedence.

**POLICY STATEMENT:**

This Policy sets forth the criteria for reimbursement of business related expenses and helps to ensure compliance with IRS regulations.

**APPLICABILITY/SCOPES/EXCLUSIONS:**

This Policy governs all LG Health employees and all of its subsidiaries as well as those individuals who may not be employees but are conducting business on the behalf/expense of LG Health. There may be certain reimbursement areas where exceptions apply. However, any exceptions must conform to IRS requirements.

**DEFINITIONS:**

The IRS allows for reimbursement of ordinary and necessary business-related expenses. An ordinary expense is one that is common and accepted within trade or business. A necessary expense is one that is helpful and appropriate for LG Health's business. An expense does not have to be required to be considered necessary.

LG Health reimburses to individuals business expenses which they have incurred under an accountable plan. This is a term used by the IRS to describe a reimbursement plan that meets certain technical criteria. The two criteria of concern are:

- only allowable business expenses are reimbursed; and
- the individual provides an adequate accounting to LG Health.

Because the LG Health plan meets these criteria, LG Health is allowed to reimburse qualifying expenses without reporting those payments as taxable income.

A good rule of thumb for determining whether an expense is reimbursable is as follows. An expense is incurred for a valid business purpose if:

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- its main objective is to further the business or mission of the organization;
- it is primarily for the benefit of the organization; and it is otherwise specifically authorized by policy.

If the expense is primarily for an individual's personal benefit or convenience, it is probably not reimbursable.

Out-of-town Travel is defined as travel over a 90-mile radius from the employee's primary worksite for one-day events and 60 miles for multiple day events.

**All requested reimbursements that are not adequately substantiated will be denied. LG Health will notify individuals of deficiencies in substantiation and provide an opportunity to resubmit with additional required information.**

## **PROCEDURE FOR EMPLOYEE REIMBURSEMENT<sup>1</sup>**

In order for LG Health to maintain an accountable plan, employees must adequately substantiate all qualifying expenses, and LG Health must take reasonable measures to ensure that these requirements are enforced. In order for an employee to be reimbursed, the electronic employee expense reimbursement form must be completed. No other form will be accepted. This form must be used for any business expenses incurred by an employee. *The electronic form will be routed to the employee's direct supervisor for approval.* All officers must have expenses approved by the next level of management. Employees of the Pennsylvania College of Health Sciences should continue to use paper request forms.

### Travel & Conference Preapproval Requirements

Prior to travel or incurrence of any travel and conference expenses, including virtual conferences, the electronic *Travel & Conference Request* form is to be completed, and electronically routed to their Supervisor/Manager for approval. If the estimated expenses are greater than one thousand dollars (\$1,000), an Executive's signature (Vice President or higher) is required. If the employee's Supervisor/Manager is an Executive and the estimated expenses are under one thousand dollars (\$1,000), the employee still must obtain their corresponding Supervisor/Manager's approval. If the request form is requesting that payments be made in advance of the travel, the form will automatically be routed to Accounts Payable for processing of the required payment(s), provided that the prepayment section is completed. Employees will receive an email stating that the request has been processed. No expenses should be made prior to receiving this approval, for example, airline tickets, registration fees, etc.

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<sup>1</sup> This section applies to employees only. Consultants will be reimbursed following LG Health's policy regarding consulting expenses. Contracted physicians (non LG Health employees) will be reimbursed through a payment to the entity that has contracted with LG Health for the physician services. It is the responsibility of the contracted physician to be reimbursed by that entity.

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When at all possible, it is preferred that LG Health pay the registration fees directly rather than reimbursing the employee.

## Receipts

All receipts must be submitted with the reimbursement request. Meal receipts must show the detail of the items purchased. A signed credit card or room service slip is not sufficient. An itemized meal receipt must be included in addition to the receipt for payment. In the event an itemized receipt is lost or unavailable, an exception will be made up to twenty-five dollars (\$25) per meal and Maximum seventy-five (\$75) total per submission, regardless of length of travel. The employee must submit a written description of the itemized expense, and state why the receipt is not available. In order to expedite and ensure accurate payment, LG Health purchases should be kept on separate receipts from personal expense.

## Proof of Payment

All expenditures require an itemized receipt of the charges. In the event that the only proof of payment is a cancelled check or a credit card statement, they will be accepted as proof of payment. Submission of just an order/packing slips is not sufficient proof of payment.

## State Business Purpose/Business Relationship/List of Attendees

The expense report must include a detailed description of the valid business purpose for which the expense was incurred. Stating attendance at “a meeting” does not satisfy this requirement – details about the purpose of the meeting, names of attendees, etc., must be included in the description. This statement should be specific and descriptive. Do not assume it is obvious. This business purpose requirement also applies to submissions for mileage reimbursements. A listing of attendees and their business relationship must also be included for all meals, meetings and functions. Failure to include proper documentation will cause the reimbursement request to be returned.

The *business purpose* is a statement that adequately describes the expense as a **necessary, reasonable and appropriate expense**. This statement must be specific and descriptive. Stating meal, conference, or mileage is not sufficient. See chart for examples.

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Type of Expense	Appropriate Business Purpose Description	Insufficient Business Purpose Description	Comment
Business meal	Meal provided for Oncology department (names listed in comments or attached) to discuss scheduling and a Lunch and Learn on new techniques.	<i>Lunch with Department</i>	All attendees should be listed.
Travel	Mileage, parking, and airfare for 2019 Advancements in Radiology Conference. Travel and Conference Pre-Approval attached to this request.	<i>Conference</i>	Please attach completed Travel and Conference Pre-Approval.
Mileage	<i>Mileage from LGH to Parkesburg for additional coverage</i>	<i>Mileage</i>	Please provide, dates, location that you left from and returned to, destination, and mileage. If leaving from and/or returning to your home, please subtract your normal business commute per policy.

## Submission Deadlines

LG Health has determined an exact timeline of when reimbursements must be submitted. Failure to comply may result in delayed processing or denial of reimbursement. It is the employee's responsibility to ensure deadlines are met and approvals completed.

Requests for reimbursement should be submitted as soon as possible and no later than sixty (60) days from date the expense was incurred. Any travel expense submitted between sixty-one (61) and ninety (90) days after the expense date will be taxable to the employee in accordance with IRS regulations. Reimbursements submitted after ninety (90) days will be denied. Requests for exception to this rule need to be forwarded by the requested manager/supervisor to their executive for review and approval. In the event the submission is sent back for rework, the sixty (60) and ninety (90) day calculation will restart from the day the form is sent back.

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It is the responsibility of the Supervisor/Manager to initiate the recovery of overpayments from employees in the event that the travel request is cancelled.

## Determination

The following is a guide to determine if reimbursement is allowable:

### Mileage Expense

LG Health currently reimburses mileage at a fixed rate that can be obtained from the Accounting Department of each entity. Business related travel expenses incurred in an employee owned vehicle are generally reimbursable business expenses. However, commuting expenses are not reimbursable. Commuting expenses are defined as the cost of traveling from an employee’s home to their regular place of business. Mileage for travel from one LG Health location to another LG Health location during the day is reimbursable. If an employee travels from their home to a location other than their normal place of work, only the difference between the mileage traveled and the mileage for their normal daily commute is reimbursable. If the miles traveled are less than the employee’s normal commute, the mileage will not be reimbursed.

In general, mileage reimbursement equals the total mileage driven that day minus the normal commute to the employee’s main work location. Only mileage above the normal daily commute is reimbursable.

Daily commute is the commute from home to work location listed in Workday. Log your total day from leaving home to returning home and total those miles. Reduce the total by your normal daily commute. There may be instances where there is no eligible reimbursement because the total daily commute is less than the normal commute.

	Date	Travel	Total Distance
<b>In this example, the employee's normal daily commute is 10 miles</b>			
Example 1	11/15/2017	Home - LGH - Norlanco - LGH - Home	44 (5+17+17+5)
Example 1	11/15/2017	Home - LGH - Home (Normal Commute)	-10
			<b>34 Total Reimbursement</b>
<b>In this example, the employee's normal daily commute is 10 miles</b>			
Example 2	11/16/2017	Home - LGH - Norlanco - Home	47 (5+17+25)
Example 2	11/16/2017	Home - LGH - Home (Normal Commute)	-10
			<b>37 Total Reimbursement</b>
<b>In this example, the employee's normal daily commute is 36 miles (18 one way)</b>			
Example 3	11/20/2017	Home - BWI	47
Example 3	11/20/2017	Home - LGH (Normal Commute)	-18
Example 3	11/22/2017	BWI - Home	47
Example 3	11/22/2017	LGH - Home (Normal Commute)	-18
			<b>58 Total Reimbursement</b>

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Failure to include substantiation listed below may cause a delay in an approved reimbursement.

The following substantiation is required:

- business purpose of travel; (This statement must be specific and descriptive, do not assume it is obvious; stating a “meeting” does not satisfy this requirement)
- date(s) of travel;
- miles traveled; and
- starting and ending location
- statement that only mileage in excess of normal daily commute to work is being requested

When at all possible, LG Health encourages employees to carpool.

Executives who receive automobile allowances will be reimbursed mileage when the distance one-way is at least fifty (50) miles. Mileage will be reimbursed at a reduced rate which can be obtained from the Accounting Department. Only the mileage in excess of the fifty (50) miles (one way) will be reimbursed. For example, if the round trip travel is one hundred four (104) miles, only four (4) miles will be reimbursed

## Automobile Insurance

In the event of an accident while the employee is driving a personal automobile on LG Health business, LG Health will reimburse the employee for his/her individual auto insurance deductible up to five hundred dollars (\$500), unless the employee was cited with a driving violation, was at fault for the accident as determined by police or employee’s auto insurance company, and /or did not follow the LG Health Accident Reporting Protocol. The employee should submit all other expenses to his/her individual auto insurance carrier. LG Health’s auto insurance policy will respond as a secondary insurer under certain situations. Specific questions regarding the secondary insurer coverage can be directed to the Vice President, Risk Management Services. Refer to LG Health Policy titled “Driver Safety” for further details.

In the event of a theft or vandalism to an employee’s personal vehicle while he/she is on LG Health business and not on LG Health property, LG Health will reimburse the employee for the value of the loss up to two hundred dollars (\$200). An event report with supportive documentation (vehicle repair receipts, police reports and/or police report event number) shall be submitted to the Risk Management Insurance Coordinator.

An employee who uses his/her personal vehicle for LG Health business is encouraged to notify his/her auto insurance agent that the vehicle is being used for LG Health business.

## Entertainment/Business Meals:

Meal expenses are reimbursable for overnight (out-of-town) business trips and/or conferences.

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If there is no overnight stay, meals are only reimbursed when the purpose of the meal is business-related. A business-related meal implies that business is being conducted during the meal, employee recognition dollars are being used, or for the purpose of recruiting. A description of the business purpose, copy of the agenda and list of attendees is required. The highest ranking employee present at the meal should pay for the meal and submit for the reimbursement. Business conducted over lunch translates to a scheduled meeting with an agenda; it is not intended to indicate that discussing work over lunch is a reimbursable lunch expense. Tips in excess of 20% are only reimbursable up to the 20%.

Entertainment expenses such as business meals are only reimbursable if the expenses are directly related to your business. The following factors must apply:

- the main purpose of the combined business and entertainment was the active conduct of business; and
- the employee actually conducted business during the entertainment period.

Entertainment must be reasonable, not lavish or extravagant. Entertainment expenses are generally not reimbursable when entertainment occurs in settings where a substantial distraction to the conduct of business exists (i.e., nightclubs, theaters, sporting events, social gatherings, cocktail parties or vacation resorts, etc.).

## Alcohol

Medicare guidelines do not allow for alcohol to be used as a reimbursable expense and must be excluded from LG Health's Medicare cost reporting. Grant guidelines also exclude the reimbursement of alcohol.

Alcohol purchases will be reimbursed only upon approval by the CEO or CFO. Alcohol should not be purchased for any meeting where business is conducted. Exceptions to this are recruitment dinners, business development dinners and dinners with Board of Trustee members. Notwithstanding the above, the CEO or the CEO's direct reports may use their discretion regarding when alcohol may be purchased and reimbursed. Alcohol purchased at a business meeting will not be reimbursed, unless one of the exceptions noted above applies. In all circumstances alcohol consumption should not be excessive in quantity or price.

## Travel Expenses

It is expected that any knowledge gained during a conference or other educational trip will be brought back and shared with your co-workers in the interest of information sharing. It is the responsibility of the department to monitor the amount of trips taken by individuals. The amount of trips taken during a year should be reasonable and not excessive.

Airfare, meals, hotel accommodations, taxi fares, ride-sharing services, parking fees, tips, business calls and internet access are examples of reimbursable expenses. One personal call per day for a reasonable amount of time will be reimbursed.

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Travelers should only use a rental car when either transportation is not available or the use of a rental car results in cost savings. Substitution of cost savings should be documented. Rental cars should not be used based on convenience or personal use.

Hotels may be used with out-of-town travel. Incremental expenses associated with a spouse accompanying an employee on a business trip are not reimbursable. Further, no personal expenditures for pleasure or entertaining will be reimbursed (i.e., movies, gift shop purchases, spa services, etc.).

It is expected that the employee will choose the most economical mode of transportation, which will include: a review of costs associated with the use of the personal automobiles, and mileage reimbursement for its use; train fare; coach airfare; or whatever mode of transportation is most cost effective. Airfare seat selection, preferred seating, and travel insurance fees will not be reimbursed. If an employee uses the services of the organization's preferred travel agency, expenses will be billed directly to the organization.

The lesser of the actual cost of meals (breakfast, lunch and dinner) with a maximum of one hundred dollars (\$100) per person, per day will be reimbursed for meals accompanied by an original itemized receipt. If the cost of meals per day is greater than one hundred dollars (\$100), the Vice President must approve the reimbursement and specifically state that the overage is acceptable. Otherwise, the overage will not be reimbursed. Tips in excess of 20% are only reimbursable up to the 20%.

## Non –employees traveling on behalf of LG Health

Non-employees are defined as individuals who are not paid through LG Health payroll.

Individuals who travel on behalf of and at the expense of LG Health are required to follow the *Reimbursement of Business Expenses Policy*, and will be reimbursed based on its criteria with the exception that a *Check Request* (LGH-326) must be submitted. The payment for the individual's expenses will be made back to the individual's employer via check. Any stipend payments due must be submitted on a separate time sheet.

## Licenses and Certifications

Employees should refer to the Lancaster General Health Physicians: Physician and Advanced Practice Provider Reimbursement for Continuing Professional Development policy as well as the Staff Certifications Policy for LG Health in regards to licenses and certifications that will be reimbursed.

## Exams

The 60 and 90 day windows start with the date that the employee receives the exam results. Once the employee receives the results, the employee may submit for reimbursement. Employee must provide documentation supporting the successful passing/completion of the exam for reimbursement.

## Technology Purchases



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It is not standard practice for technology items to be reimbursed. In the event that the purchase of a technology item (i.e., computers, etc.) is approved by Information Services, the amount of the reimbursement will be added to the employee's taxable income. Items purchased as "extras" will not be reimbursed (laptop covers, warranties, insurance, etc.). Refer to the Cellular Phone Allocation policy for cell phones standards.

## Compliance

Material non-compliance or lack of diligence in enforcing substantiation requirements could result in the disqualification of the reimbursement plan for the entire organization. Further, patterns of abuse might be construed to be private inurement and could jeopardize LG Health's not-for-profit status. Exceptions to this Policy are made by the Chief Executive Officer and Chief Financial Officer of LG Health. However, any exceptions made must conform to IRS requirements.

## **ROLES/RESPONSIBILITIES:**

It is the responsibility of the individual and the subsequent approver(s) to ensure that all expenses submitted for reimbursement are compliant with both the policies of LG Health and the IRS. Individuals requesting reimbursement and the approvers are responsible for making sure that the expenses are for a valid use of LG Health and the community's funds. Furthermore, it is the responsibility of the approver/manager to review expenses for compliance, validating all necessary (required) documentation is provided at time of submission prior to approval for payment.

## **APPENDICES:**

Reimbursement of Business Expenses – Appendix A – Mileage for Various LG Health Locations

## **FORMS:**

e-form: Travel and Conference Request  
e-form: Employee Reimbursement Request

## **REFERENCES:**

IRS publication 463 *Travel, Entertainment, Gift, and Car Expenses*

Cellular Phone Allocation Policy

Driver Safety Policy

Physician and Advanced Practice Provider Reimbursement for Continuing Professional Development Policy (LGHP Policy)

Staff Certifications Policy

One way mileage to various locations.

(All mileage calculations are per the most direct route and rounded to the nearest whole number.)

FROM	DISTANCE TO			
	LGH	BURLE	Commercial Ave	Mill Building - Lititz
ABBEYVILLE FAMILY MEDICINE	2	4	5	10
BEHAVIORAL HEALTH SPECIALISTS	1	0	5	9
BUCK FAMILY MEDICINE	14	18	18	22
BURLE BUSINESS PARK	2	0	5	9
CHESTER COUNTY HOSPITAL	44	43	47	50
COLUMBIA OUTPATIENT CENTER	14	15	12	16
COMMERCIAL AVENUE OFFICES	4	5	0	8
COUNTY LINE FAMILY MEDICINE	17	15	20	22
CROOKED OAK FAMILY MEDICINE	3	3	4	8
CROOKED OAK OUTPATIENT CENTER	3	3	4	7
EAST PETERSBURG FAMILY MEDICINE	5	6	1	7
EPHRATA SPECIALTY CENTER	14	12	15	12
F & M HEALTH SERVICES	1	3	4	9
HEALTHWORKS - QUEEN STREET	1	2	5	9
INTERNAL MEDICINE - HARRISBURG PIKE	3	6	2	9
KISSEL HILL OUTPATIENT CENTER	7	7	6	3
LANC NEUROSCIENCE & SPINE - LEBANON	23	25	19	16
LANCASTER CITY ALLIANCE	1	2	5	9
LANCASTER GENERAL HOSPITAL (Includes DOP, Urgent Care)	0	2	4	8
LANCASTER REHABILITATION HOSPITAL	4	5	3	9
LEBANON HEALTH CENTER / URGENT CARE	22	24	19	16
LEOLA FAMILY MEDICINE	9	8	11	11
LG HEALTH PHYSICAL TEHRAPY AT EDEN ROAD	3	3	4	8
LG HEALTH WELLNESS EXPRESS / GIANT FOOD	2	2	3	7
LGH DATA CENTER - BROWNSTWON	9	9	9	6
LGHP NEUROLOGY	4	6	2	10
LINCOLN FAMILY MEDICINE	15	13	16	7
LITITZ FAMILY MEDICINE	8	8	7	1
MANHEIM FAMILY MEDICINE / OUTPATIENT CENTER	10	11	6	5
MANOR RIDGE FAMILY MEDICINE – MANOR RIDGE	4	6	4	11
MESSICKS - EMPLOYER HEALTH	10	11	8	11
MILL BUILDING – LITITZ	8	9	8	0
MOUNT JOY FAMILY MEDICINE	11	12	8	12
NEW HOLLAND FAMILY MEDICINE	14	13	21	17
NORLANCO – ALL OFFICES	17	18	13	16
NOVARA HEALTH - RICHMOND SQUARE	5	6	3	6
OXFORD FAMILY MEDICINE	30	29	33	38
PA COLLEGE OF HEALTH SCIENCES	5	3	7	10
PARKESBURG FAMILY MEDICINE / URGENT CARE	24	22	25	28
PENN MEDICINE HOME HEALTH - CHESTER COUNTY	26	25	29	31
PENN MEDICINE HOME HEALTH – LANCASTER	4	3	7	10
RED ROSE FAMILY MEDICINE	2	2	7	10
ROCK LITITZ EMPLOYEE CLINIC	10	10	8	12
ROSEVILLE PEDIATRICS - CITYGATE	2	2	3	8
ROSEVILLE PEDIATRICS / URGENT CARE	7	7	6	3
STRASBURG FAMILY MEDICINE	10	8	12	16
SUBURBAN OUTPATIENT PAVILION	3	6	2	9
SUSQUEHANNA FAMILY MEDICINE	15	16	13	17
SYCAMORE SQUARE FAMILY MEDICINE	20	21	16	19
THE HEART GROUP	1	2	4	8
TWIN ROSE FAMILY MEDICINE - WRIGHTSVILLE	15	17	14	21
URGENT CARE – ROHRERSTOWN (SPRING VALLEY ROAD)	4	5	2	10
URGENT CARE - 322/222 (EPHRATA)	13	12	14	11
WALTER L. AUMENT FAMILY HEALTH CENTER	15	17	21	24
WILLOW LAKES – ALL OFFICES	5	8	9	13
WILLOW STREET FAMILY MEDICINE	5	7	9	13
WOMEN & BABIES	3	5	2	10