

Tax-exempt hospitals provisions in new health care law

Written by Sen. Charles Grassley
Thursday, 25 March 2010 08:37

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Sen. Chuck Grassley, ranking member of the Committee on Finance, with jurisdiction over taxes, has worked to hold tax-exempt hospitals accountable for the federal tax benefits they receive. The health care legislation signed into law yesterday includes provisions Grassley co-authored to impose standards for the tax exemption of charitable hospitals for the first time. The bill requires that a hospital complete a community needs assessment once every three years and adopt and publicize a financial assistance policy; prohibits billing those who qualify for financial assistance the top rates; and prohibits a hospital from taking extraordinary collection actions if the hospital has not made reasonable efforts to notify patients of its financial assistance policy. The bill also requires the IRS to review the tax-exempt status of each hospital every three years; requires Treasury and Health and Human Services to submit an annual report to Congress on the level of charity care, bad debt expenses and the unreimbursed costs of means-tested and non-means-tested government programs; and requires Treasury and HHS to provide a report in five years on the trends on the items reported on an annual basis. Grassley made the following comment on the advancement of these provisions.

“Tax-exempt hospitals don’t have many measures of accountability for their special status. The law hasn’t given them much direction, and so they’ve defined standards for themselves. Sometimes that’s resulted in providing very little charitable patient care or other community benefits, failing to publicize charitable care to patients, charging indigent, uninsured patients more than insured patients, and using very aggressive collection practices. The Government Accountability Office and others, including the former IRS commissioner, have said for a long time that there is often no discernible difference between the operations of taxable and tax-exempt hospitals. These new provisions are modeled after principles and polices that the

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Catholic Health Association has had in place for years. I appreciate the association's willingness to have honest, forthright conversations about charitable hospitals' activities. The provisions take steps to differentiate tax-exempt hospitals from for-profit hospitals and provide further transparency about tax-exempt hospitals' fulfilling their charitable mission. Congress, the IRS, and the public will now have additional tools and information to ensure that charitable hospitals act charitably."

The provisions enacted in the new health care law are the result of Grassley's leadership on tax-exempt organizations' accountability and transparency, including hospitals. In 2005, he sent letters of inquiry to some of the nation's largest tax-exempt hospitals. In 2006, he convened a hearing and released a summary of the hospitals' responses. In 2007, he released a staff discussion draft of potential legislative reforms and convened a roundtable of experts to discuss the potential reforms. In 2008, he followed up with letters of inquiry to more hospitals and received a report he'd requested from the Government Accountability Office. In 2009, he drafted legislative reforms and succeeded in persuading the Democratic majority to include several of the reforms in the new health care law.