

Heightened Hospital Charity Care Requirements on the Horizon

Top ranking Republican on the Senate Finance Committee, Chuck Grassley, has stated his intent to propose legislation that would set minimum requirements for charity care that must be achieved in order for hospitals to maintain their 501 (c)(3) status. Grassley, whose previous efforts to pass legislation that created more transparency in community benefit efforts of tax-exempt hospitals have failed (e.g., hospitals must give 5% of operating revenue to charity care), stated that benchmarks need to be created to ensure that hospitals are meeting the standards set forth by the government.¹ While none of Grassley's previous attempts to have legislation in this area passed, Grassley's continued efforts have resulted in an updated Form 990 for tax-exempt organizations. The new form requires more information from tax-exempt hospitals regarding their mission, programs, community benefit, and charity care. Additionally, the new form requires reporting on executive compensation practices.²

Critics of Grassley argue that attempts to create more transparency in charity care of non-profit hospitals appear to be misguided, as evidenced by a study released by the Internal Revenue Service (IRS) in July of 2008. Results of the study indicated that uncompensated care was the largest charitable expense of non-profit hospitals. The July 2008 Report, which included survey data from over 500 non-profit hospitals, also indicated that 90% of hospitals stated they treated patients regardless of their ability to pay. However, while 97% of respondents stated they had a charity care program, no standard, universal definition of charity care exists. Without a common definition, it may be difficult to regulate the charitable acts of non-profit hospitals.

¹ "Grassley Considering Legislation to Establish Charity Care Standards for Exempt hospitals," BNA's Health Law Reported, December 25, 2008

² "Exempt Organizations Work Plan, 2009" Internal Revenue Service, November 25, 2008, p. 10, http://www.irs.gov/pub/irs-tege/finalannualrptworkplan11_25_08.pdf; "Grassley Considering Legislation to Establish Charity Care Standards for Exempt hospitals," BNA's Health Law Reported, December 25, 2008



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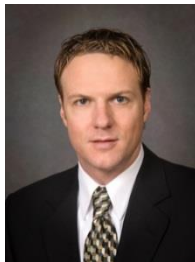
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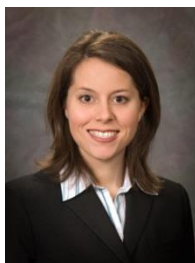
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