

Senate Proposes Minimum Charity Care Requirements

As discussed in the February 2009 Issue of *Health Capital Topics*, top ranking Republican on the Senate Finance Committee, Chuck Grassley (Iowa) stated his intention to introduce legislation that set minimum requirements for charity care that must be met in order for hospitals to maintain their 501(c)(3) status. The Senate Finance Committee released its second healthcare reform document in May 2009, which included a recommendation for minimum charity care requirements for non-profit hospitals.¹

Currently, non-profit hospitals are exempt from federal and state tax, receive tax-exempt financing, and are able to accept charitable (tax-deductible) donations. Many hospitals' 501(c)(3) status is granted because of the hospitals' mission to serve indigent populations. However, there is no requirement for a minimum level of charity care or community benefit that must be provided in order for hospitals to maintain their current non-profit status. Revenue Ruling 69-545 provided parameters to help define "community benefit," including providing care to all patients regardless of their ability to pay. Non-profit hospitals also complete Schedule H of Form 990 which provides information on the hospital's mission, programs, community benefit, and charity care programs. Additionally, Form 990 requires reporting on executive compensation practices.² While Form 990 is intended to solidify charity care practices at non-profit hospitals, it does not provide a minimum standard that must be applied in order to maintain 501(c)(3) status.

The Senate Finance Committee's May 2009 proposal would require non-profit hospitals to: (1) treat all patients regardless of ability to pay; (2) conduct regular community needs assessments; (3) provide a minimum level of charity care; and, (4) follow certain guidelines prior to sending patients to collections for overdue hospital bills. The proposal exempts hospitals "that are critical to the communities they service or which have an independent basis for tax exemption (e.g., an educational or scientific research organization)" from providing a minimum level of charity care. Additionally, the proposal calls for immediate sanctions that would stimulate compliance with the new requirements.³

The proposal has received opposition from several nonprofit hospitals organizations. In a letter to the

Senate, the Catholic Health Association (CHA), stated that certain of the Senate's concerns cited in the proposal did not need to be addressed by creation of additional federal legislation, including: (1) community needs analyses, which are already conducted and need not be mandated by federal legislation; (2) provisions to mandate care to all patients regardless of ability to pay as this is already mandated by EMTALA; and, (3) procedures that must take place prior to sending patients to collections as these are already discussed in the Form 990. Further, the CHA called the legislation premature as current healthcare reform efforts will likely expand access to healthcare and may therefore reduce the amount of charity care needed by indigent populations. Setting a charity care standard prior to any healthcare reform legislation may set the benchmark too high. Finally, the CHA contended that setting a minimum dollar amount on charity care services ignores the value of such services as certain low cost programs may be more effective and extensive than other, more expensive programs.⁴ The American Hospital Association (AHA) expressed similar concerns, stating that many of the "requirements" in the Senate's proposal are already addressed in other legislation or Form 990. The AHA suggested that the IRS and Senate should instead review those forms prior to creating new federal legislation. Additionally, the AHA stated that hospitals should not be forced to meet a minimum level of charity care and should instead continue to operate under the current community benefit standard as doing so allows hospitals to address the needs of their local communities.⁵

¹ "Description of Policy Options: Financing Comprehensive Healthcare Reform: Proposed Health System Savings and Revenue Options," United States Senate, Finance Committee, May 20, 2009, p.31-34

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

³ "Description of Policy Options: Financing Comprehensive Healthcare Reform: Proposed Health System Savings and Revenue Options," United States Senate, Finance Committee, May 20, 2009, p. 33-34

⁴ "Letter to Senate," the Catholic Health Association of the United States, May 27, 2009, p. 3-5, http://www.chausa.org/NR/rdonlyres/2BE2CAB9-65A5-45B9-BCAD-28DE8EE630F5/0/090527_SFCpaperFinancingHealthCareReform.pdf (Accessed 6/22/09)

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⁵ “Schedule H Filings Will Provide Clearer Picture of Community Benefit,” American Hospital Association, AHA News Now, June 8, 2009, http://www.ahanews.com/ahanews_app/jsp/display.jsp?dcrpath=AHA

NEWS/AHANewsArticle/data/AHA_News_090608_scheduleH&domain=AHANEWS (Accessed 6/22/09)



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Robert James Cimasi, MHA, ASA, FRICS, MCBA, AVA, CM&AA, serves as President of **HEALTH CAPITAL CONSULTANTS (HCC)**, a nationally recognized healthcare financial and economic consulting firm headquartered in St. Louis, MO, serving clients in 49 states since 1993. Mr. Cimasi has over thirty years of experience in serving clients, with a professional focus on the financial and economic aspects of healthcare service sector entities including: valuation consulting and capital formation services; healthcare industry transactions including joint ventures, mergers, acquisitions, and divestitures; litigation support & expert testimony; and, certificate-of-need and other regulatory and policy planning consulting.

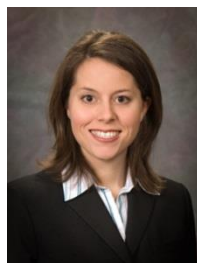
Mr. Cimasi holds a Masters in Health Administration from the University of Maryland, as well as several professional designations: Accredited Senior Appraiser (ASA – American Society of Appraisers); Fellow Royal Intuition of Chartered Surveyors (FRICS – Royal Institute of Chartered Surveyors); Master Certified Business Appraiser (MCBA – Institute of Business Appraisers); Accredited Valuation Analyst (AVA – National Association of Certified Valuators and Analysts); and, Certified Merger & Acquisition Advisor (CM&AA – Alliance of Merger & Acquisition Advisors). He has served as an expert witness on cases in numerous courts, and has provided testimony before federal and state legislative committees. He is a nationally known speaker on healthcare industry topics, the author of several books, the latest of which include: *“The U.S. Healthcare Certificate of Need Sourcebook”* [2005 - Beard Books], *“An Exciting Insight into the Healthcare Industry and Medical Practice Valuation”* [2002 – AICPA], and *“A Guide to Consulting Services for Emerging Healthcare Organizations”* [1999 John Wiley and Sons].

Mr. Cimasi is the author of numerous additional chapters in anthologies; books, and legal treatises; published articles in peer reviewed and industry trade journals; research papers and case studies; and, is often quoted by healthcare industry press. In 2006, Mr. Cimasi was honored with the prestigious *“Shannon Pratt Award in Business Valuation”* conferred by the Institute of Business Appraisers. Mr. Cimasi serves on the Editorial Board of the Business Appraisals Practice of the Institute of Business Appraisers, of which he is a member of the College of Fellows.



Todd A. Zigrang, MBA, MHA, ASA, FACHE, is the Senior Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas valuation and financial analysis for hospitals and other healthcare enterprises. Mr. Zigrang has significant physician integration and financial analysis experience, and has participated in the development of a physician-owned multi-specialty MSO and networks involving a wide range of specialties; physician-owned hospitals, as well as several limited liability companies for the purpose of acquiring acute care and specialty hospitals, ASCs and other ancillary facilities; participated in the evaluation and negotiation of managed care contracts, performed and assisted in the valuation of various healthcare entities and related litigation support engagements; created pro-forma financials; written business plans; conducted a range of industry research; completed due diligence practice analysis; overseen the selection process for vendors, contractors, and architects; and, worked on the arrangement of financing.

Mr. Zigrang holds a Master of Science in Health Administration and a Masters in Business Administration from the University of Missouri at Columbia, and is a Fellow of the American College of Healthcare Executives. He has co-authored *“Research and Financial Benchmarking in the Healthcare Industry”* (STP Financial Management) and *“Healthcare Industry Research and its Application in Financial Consulting”* (Aspen Publishers). He has additionally taught before the Institute of Business Appraisers and CPA Leadership Institute, and has presented healthcare industry valuation related research papers before the Healthcare Financial Management Association; the National CPA Health Care Adviser’s Association; Association for Corporate Growth; Infocast Executive Education Series; the St. Louis Business Valuation Roundtable; and, Physician Hospitals of America.



Anne P. Sharamitaro, Esq., is the Vice President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where she focuses on the areas of Certificate of Need (CON); regulatory compliance, managed care, and antitrust consulting. Ms. Sharamitaro is a member of the Missouri Bar and holds a J.D. and Health Law Certificate from Saint Louis University School of Law, where she served as an editor for the Journal of Health Law, published by the American Health Lawyers Association. She has presented healthcare industry related research papers before Physician Hospitals of America and the National Association of Certified Valuation Analysts and co-authored chapters in *“Healthcare Organizations: Financial Management Strategies,”* published in 2008.