

Summary of Provisions Related to Tax-Exempt Hospitals in the Affordable Care Act

The historic passage of health reform legislation will have far reaching consequences for the communities we serve. In addition to improved access and health care delivery changes, the legislation includes specific requirements for tax-exempt hospitals related to how they assess community need, plan community benefit services, provide and publicize financial assistance and bill for services. The legislation also calls for increased oversight of tax-exempt hospitals.

Community Health Needs Assessment and Planning

Hospitals will be required to conduct a community health needs assessment at least every three years. The assessment must take into account “input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health.” The assessment must be made “widely available to the public.”

In addition to the assessment, hospitals will be required to adopt “an implementation strategy to meet the community health needs identified through the assessment.” This provision gives great importance to taking a more strategic approach to community benefit planning.

Failure to meet the assessment and planning provisions could lead to a financial penalty of up to \$50,000 a year.

Financial Assistance

Tax-exempt hospitals will be required to have written financial assistance policies that include:

- Eligibility criteria and whether financial assistance includes free or discounted care
- The basis for calculating amounts charged to patients
- The method for applying for financial assistance
- What actions the organization may take in the event of nonpayment
- Measures to widely publicize the policy with the community

Hospitals also must have a written policy that they provide emergency medical care to individuals “regardless of their eligibility” for the hospital’s financial assistance policy.

Charges

The legislation limits what hospitals can charge for emergency and other needed care to persons eligible for the hospital’s financial assistance policy. Persons eligible for financial assistance may not be charged more than the amounts generally billed to individuals who have insurance coverage. The use of gross charges is prohibited.

Billing and Collections

A tax-exempt hospital may not engage in “extraordinary collection actions” until it has made “reasonable efforts to determine whether the individual is eligible for assistance” under the hospital’s financial assistance policy.

Oversight and Reporting Requirements

The legislation directs the Treasury to review at least once every 3 years the community benefit activities of tax-exempt hospitals. It also directs the Treasury, in consultation with Health and Human Services, to report annually on the levels of charity care provided by tax-exempt hospitals and other expense information and, no later than five years after the enactment of the legislation, to report on trends related to this information.

Tax-exempt hospitals will also be required to report the following to the IRS:

- A description of how the organization is addressing the needs identified in the community health needs assessment and a description of any such needs that are not being addressed together with the reasons why such needs are not being addressed, and
- The audited financial statements of the tax-exempt hospital (or, consolidated financial statement)

Senator Charles Grassley, ranking member of the Senate Finance Committee has, for many years, worked to hold tax-exempt hospitals accountable for the federal tax benefits they receive.

After the bill was signed, Senator Grassley mentioned the role of Catholic health care in community benefit. He said, “These new provisions are modeled after principles and policies that the 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 complete text of the legislation can be viewed at

<http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>

See Sec.

9007 - Additional Requirements for Charitable Hospitals and Sec. 10903 Modification of Limitation on Charges by Charitable Hospitals.