



# Briefing

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EDITOR

**N**ot-for-profit hospitals are coming under increasing scrutiny as federal and state legislatures, tax assessors, and the Internal Revenue Service question their tax-exempt status. In this issue's column on social accountability, Sr. Bernice Coreil, DC, says the tax-exemption debate "represents an accusation by the government that we have neither the ability nor the will to identify and meet our communities' needs because we are too preoccupied with the business of healthcare." And Emily Friedman concludes that the tax battle is more about trust than about taxes. How can hospitals respond to this accusation and regain society's and government's trust?

One way is to specifically budget for community services. Sr. Coreil describes the encouraging findings of a study of facilities that have used the Catholic Health Association's (CHA's) *Social Accountability Budget* to include community services in their strategic plans.

In a special section on tax-exempt status, Emily Friedman suggests that hospitals' salvation lies in honest self-appraisal. She challenges voluntary hospitals to recognize some uncomfortable facts—that they have a "public" nature that carries specific responsibilities and that they are not inherently moral because they provide healthcare.

Two Internal Revenue Service attorneys provide the IRS's views on the tax-exemption debate. T. J. Sullivan describes how the service analyzes hospitals' financial arrangements, especially new relationships with physicians. James J. McGovern tells why hospitals can expect—and how they can prepare for—closer IRS scrutiny. He looks at recent developments that may alter the "community benefit" standard (a criterion the IRS uses to determine a facility's tax-exempt status) in favor of a more explicit "charity care" standard.

Changing to a narrower charity care standard would have unfortunate consequences for communities, argues J. David Seay, but he does not merely defend the status quo. He urges not-for-profit hospitals to lead in defining a clearer, flexible community benefit standard. Seay also praises state and voluntary efforts that emphasize institutional intent to serve the whole community, especially the poor and the underserved.

New rules by the American Institute of

*The tax battle is more about trust than about taxes. How can hospitals regain society's and government's trust?*

Certified Public Accountants will help hospitals document their charity care in financial statements. Martha Garner and Woodrin Grossman specify steps for distinguishing charity care from bad debt.

## NATIONAL HEALTHCARE REFORM

In this first issue of an election year, we begin a regular series of articles on systemic reform of the U.S. healthcare system. William E. Kessler describes the origins of a proposals being prepared by CHA's Leadership Task Force on National Health Policy Reform. Sr. Juliana Casey, IHM, sets the proposal's theological context.

Accompanying these articles is an emblem reflecting the values that form the foundation of the task force's proposal. The symbol suggests the concept, defined in Catholic social teaching, that we are interdependent members of a community. The circle represents the proposal's intent to encompass society's members in a system that provides comprehensive services for all—a just system that recognizes our responsibility to balance respect for individual rights with concern for the common good.

Charles J. Dougherty (p. 22) calls on the nation to examine how some of its traditional values, especially individualism, harm our society's health. In her column, Jane H. White analyzes the significance of Harris Wofford's victory in Pennsylvania's November Senate election and predicts that healthcare reform will be a key issue in the 1992 election campaigns.

## THANKS TO OUR READERS

I want to thank the many readers who wrote or called to comment on *Health Progress* during 1991. And special thanks to those who have sent information for "Systems Forum" and for Rhoda Weiss's marketing column, which has highlighted more than 60 programs in its two years. We hope to hear from you and many more readers in 1992.

