Bond Case Briefs

Municipal Finance Law Since 1971

Grassley Seeks Information on Oversight of Exempt Hospitals.

WASHINGTON — Sen. Chuck Grassley of Iowa is asking the IRS to account for the status of several important oversight measures for nonprofit hospitals enacted in 2010. Grassley co-authored the provisions imposing standards for the tax exemption of nonprofit hospitals for the first time.”These reforms were the culmination of a review of nonprofit hospitals I began in 2005 that revealed that the practices of many nonprofit hospitals were virtually indistinguishable from their for-profit counterparts,” Grassley writes in a letter to IRS Commissioner John Koskinen. “While these new provisions were intended to provide more oversight of nonprofit hospitals, it appears that not all of the requirements have been implemented.”

To date, key legal guidance needed to ensure compliance with the law does not appear to be finalized. The law also requires the IRS and the Department of Health and Human Services to collect information on nonprofit hospitals and report to Congress every year. An annual report should have been issued to Congress for Fiscal Year 2012, but Congress never received any report. Congress has also yet to receive the report for Fiscal Year 2013.

“As a result, Congress still does not have access to the information that was required to be reported by law,” Grassley writes. “This raises serious concerns both about the oversight of nonprofit hospitals and the government’s ability to faithfully execute laws passed by Congress.”

Grassley’s reforms came after oversight and investigative reviews of nonprofit hospitals revealed troubling practices among some nonprofit hospitals, including 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. Grassley modeled the new accountability measures after principles and polices that the Catholic Health Association has had in place for years.

The text of Grassley’s April 4 letter to the IRS commissioner is available here.

*****April 4, 2014

The Honorable John Koskinen
Commissioner
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Koskinen:The Patient Protection and Affordable Care Act (PPACA) included several reforms to nonprofit hospitals that were intended to hold them accountable for their tax-

exempt status. These reforms were the culmination of a review of nonprofit hospitals I began in 2005 that revealed that the practices of many nonprofit hospitals were virtually indistinguishable from their for-profit counterparts. While these new provisions were intended to provide more oversight of nonprofit hospitals, it appears that not all of the requirements have been implemented.

The reforms in PPACA created new requirements for nonprofit hospitals. These include requiring hospitals to regularly complete a community needs assessment, establish and make public a financial assistance policy, and restricting certain billing and collection procedures used for those who qualify for financial assistance.[1] PPACA also created requirements for the Department of the Treasury, the Internal Revenue Service (IRS), and the Department of Health and Human Services (HHS) to ensure nonprofit hospitals comply with the law and provide information to Congress on the effectiveness of the provisions and whether any further legislation may be necessary.[2]

In June 2012, the Treasury Inspector General for Tax Administration (TIGTA) issued a report finding that much of the legal guidance required to be written by the federal government is still incomplete. While TIGTA found that the IRS had begun implementing the PPACA provisions, it noted that "until guidance is published, the public cannot be assured that the IRS has implemented all controls to ensure compliance with [PPACA] provisions designed to protect those served by tax-exempt hospitals."[3] To date, that guidance does not appear to be finalized.

The PPACA also required the IRS and HHS to collect information on nonprofit hospitals and report to Congress every year. An annual report should have been issued to Congress for Fiscal Year 2012, but Congress never received any report. Congress has also yet to receive the report for Fiscal Year 2013. In TIGTA's 2012 report, it recommended that the IRS enter into a Memorandum of Understanding (MOU) with HHS in order to better coordinate the collection and sharing of information for the report. The IRS agreed with TIGTA's recommendation, but the MOU has not been finalized. As a result, Congress still does not have access to the information that was required to be reported by law. This raises serious concerns both about the oversight of nonprofit hospitals and the government's ability to faithfully execute laws passed by Congress.

In order to review the status of the IRS's work on nonprofit hospitals, I ask that you please provide the following information:

1) What is the status of the MOU between IRS and HHS?

2) When do you expect the MOU to be finalized?

3) Why hasn't there been an annual report to Congress regarding nonprofit hospitals, as required by law?

4) What is the status of the annual report? When can Congress expect to receive the Fiscal Year 2013 report?

5) What is the current status of regulations implementing the nonprofit hospital provisions of the PPACA? Please indicate what regulations, if any, are final, proposed, or have yet to be proposed. For any regulations that are not final also indicate where they are in the review process and expected timeline for completion.

6) The PPACA requires the IRS to conduct a review of the community benefit activities of nonprofit hospitals at least once every three years. TIGTA indicated in its June 2012 report the IRS had begun conducting these reviews. How many of the approximately 1,700 nonprofit hospitals has the IRS reviewed to date?

7) What were the results of the IRS's reviews of nonprofit hospitals? In responding to this question, please provide aggregate data on hospitals found to be in compliance, those found to be out of compliance, and the nature of the noncompliance.
Thank you for your cooperation and attention in this matter. I would appreciate a response by April 18, 2014. If you have any questions, please do not hesitate to contact Chris Conlin of my personal office staff at 202-224-3744 or Tegan Millspaw on my Judiciary Committee staff at 202-224-5225.

- Sincerely,
- Charles E. Grassley
- U.S. Senator

FOOTNOTES

[1] P.L. 111-148, § 9007.[2] Id.

[3] Treasury Inspector General for Tax Administration, "Affordable Care Act: While Much Has Been Accomplished, the Extent of Additional Controls Needed to Implement Tax-Exempt Hospital Provision is Uncertain," June 21, 2012.

END OF FOOTNOTES

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com