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The IRS Isn't The Only One Monitoring Your Exempt Hospital.

As discussed in my previous blog post, the IRS is ramping up compliance audits of governmental hospitals who are exempt under 501(c)3. However, the IRS isn't the only one monitoring your tax-exempt hospital. Other organizations have started policing these requirements.

As a refresher, at the end of 2014, the IRS released the final regulations under Section 501(r) for charitable hospitals exempt under Section 501(c)3. These regulations are in response to requirements enacted under the Affordable Care Act, and they finalize regulations first proposed in June 2012 to hold tax-exempt hospitals to a higher standard.

The final regulations discussed requirements for what must be included in the written Financial Assistance Policies, along with information detailing requirements for Amounts Generally Billed, Limitations on Charges, Extraordinary Collection Actions, and Community Health Needs Assessments.

At the time regulations were issued, many wondered how the IRS would ensure tax-exempt hospitals were following all of these new requirements. In time, the IRS updated Schedule H of Form 990 to include general questions regarding these requirements. The form instructs hospitals to include website links for financial assistance policies and CHNAs.

However, the IRS isn't the only one looking at your policies for compliance under 501(r). Specifically, the Southern Poverty Law Center (SPLC) has started issuing letters to tax-exempt hospitals detailing their potential failures under 501(r). In particular, the SPLC is closely examining tax-exempt hospitals' Financial Assistance Policies (FAPs). For example, the SPLC is examining policies to:

- Ensure FAPs are being made widely available to the public, including the plain language summary;
- Make sure that the policies are available in other languages if the area has a certain number of non-English speaking residents;
- Verify that the FAPs include the basis for calculating the amounts actually charged or billed to patients; and
- Confirm that the policies list any Extraordinary Collection Actions that the hospital may take against patients.

These SPLC letters ask that the hospitals return proof of correction to them within a short time frame. If a hospital does not respond to them in a timely fashion, they will file a formal complaint against the hospital to the IRS. And trust me, you don't want to be put on the IRS' noncompliance "radar," as this significantly increase your chances of an IRS audit.

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Article by Amie Whittington

Horne LLP

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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