



## The Charity Care and Community Benefit Obligations of Nonprofit Hospitals

We believe that nonprofit hospitals, in exchange for billions of dollars in annual tax exemptions, should play an essential role in their local health delivery systems by working with community members to support and create programs that target the health needs of underserved and vulnerable populations. This way, they can not only provide access to needed health care services for those that cannot afford them, but also have a broader impact on the overall health of their communities. Many nonprofit hospitals achieve this through fair billing and collection policies, and by dedicating resources to provide important community health programs. In the absence of a clear community benefits standard, however, too many others fail to carry their fair share.

The creation of a national set of firm and meaningful standards would promote transparency, accountability and fairness, while helping to also strengthen the partnership between nonprofit hospitals and the communities they serve.

### Community Benefits

We seek standards that inject firmer meaning into the existing IRS community benefits standard. For instance, hospitals should be required to establish policies and procedures that meet the following principles:

- Establish **community benefits as a priority** within the hospital leadership and planning processes
  - Establish and maintain a **board-level standing committee on community benefits** to oversee and evaluate the results of the hospital's community benefit programs and activities, with regular reporting by the committee to the full board
  - Designate a **community benefits manager** to implement the hospital's community benefits programs and activities
  - Establish and regularly update an **annual community benefit plan** and budget as an integral part of the hospital's overall operating plan and budget
- **Regularly involve the community** – including representatives of the targeted underserved populations – in the hospital's community benefits planning activities
- Conduct a **community needs assessment** to determine the health care needs of low-income, indigent and otherwise medically vulnerable populations
- Implement and regularly evaluate a quantifiable **community benefits plan** that seeks to address the health care needs and public health priorities identified through the community needs assessment

## **Charity Care**

The need for charity care – currently an essential component of hospitals’ community benefits obligation—will decrease should Congress enact national health reform. Nevertheless, there will remain a segment of uninsured and underinsured patients that will continue to rely on charity care as a safety net. We recommend that nonprofit hospitals be required to:

- Establish a meaningful charity policy that includes free and reduced cost programs
- Publicize widely their charity and reduced cost programs, particularly to vulnerable populations
- Limit what they charge uninsured and underinsured patients
- Refrain from garnishing wages, placing liens on homes and charging interest on outstanding patient debts

## **Minimum Annual Level**

- Any national minimum standard should include all community benefits, not simply charity care

## **Reporting/Transparency**

- We support consistent and transparent reporting of charity care and community benefit activities that allows the public to assess compliance with requirements and allow for meaningful comparisons among hospitals
- We recommend the IRS modify and strengthen Schedule H of IRS Form 990 to reflect additional requirements and mandate filing by each hospital

## **Sanctions**

- We support the concept of imposing intermediate sanctions on hospitals that fail to meet community benefits requirements

## **No Preemption**

- Any modified federal community standard for tax-exempt hospitals should not preempt potentially stronger state charity care or community benefit laws.