

October 2006

### Key References

Sen. Chuck Grassley Home Page

<http://grassley.senate.gov>

Letters written by Sen. Grassley to the AHA and the Catholic Healthcare Association regarding charity care and community benefits:

<http://www.wallerlaw.com/Grassley%20letters.pdf>

IRS Resource Page for Charitable Organizations

<http://www.irs.gov/charities/index.html>

IRS Hospital Questionnaire

[http://www.irs.gov/pub/irs-tege/eo\\_hospital\\_questionnaire\\_sample](http://www.irs.gov/pub/irs-tege/eo_hospital_questionnaire_sample)

### Additional Resources

*Highly regarded report prepared by Catholic Healthcare proposing guidelines for Community Benefit Reporting:*

<http://www.chausa.org/NR/rdonlyres/1E9B545E-BD93-4F46-B6F2-3FE18578CB41/0/commbenefguidelines.pdf>

*Frequently mentioned resource; its intent is to articulate a set of standards to guide the development, implementation, and documentation of community benefit activities:*

<http://www.phi.org/pdf-library/ASACB.pdf>

*Premier Community Benefit/Charity Care Resource Page-A comprehensive toolkit with links to many useful resources:*

[http://www.premierinc.com/advocacy/issue\\_s/nonprofit/index.jsp](http://www.premierinc.com/advocacy/issue_s/nonprofit/index.jsp)

## Overview

Not for profit hospitals are under increased scrutiny as the United States continues to struggle to find a solution to a vast and growing problem; providing access to health care in an era of rising costs, decreasing reimbursement, surging demand, and a skyrocketing increase in the number of the uninsured and underinsured.

This scrutiny takes many forms as governmental entities, special interest groups, and members of the press are beginning to question what benefit, if any, is received by the community in exchange for the tax exemption these not-for-profit hospitals enjoy. Many critics believe the quid pro quo should be in the form of hospitals' taking responsibility for those consumers who may "fall through the cracks," and not get the care they need because of inadequate insurance coverage.

The debate at the national level is often spearheaded by U.S. Senator Chuck Grassley, Chairman of the Committee on Finance, who has successfully cajoled the IRS and others into taking a harder look at charitable organizations and their respective business practices. Some recent IRS activities are listed in the following section.



### U.S. Senator Chuck Grassley, Iowa

Senator Grassley's website includes detailed information about his legislative agenda ([see sidebar for reference](#))

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## Notable IRS Activities

- **August 2004** – As part of the 2004 Tax Exempt Compensation Enforcement Project, the IRS announced it would contact nearly 2000 charities and foundations to seek more information about their executive compensation practices and procedures
- **May 2005** – IRS Commissioner Mark Everson testified during a hearing on the "Tax-Exempt Hospital Sector" before the House Ways and Means Committee. In that testimony he indicated that the evolution of the healthcare industry, in combination with lax corporate practices, has created opportunities for noncompliance, and that the IRS would work diligently to deter such abuse.

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- **October 2005** – The IRS released a draft of a new Form 990 with substantial revisions that would increase its usefulness as a means of collecting information and enhancing the transparency of compensation practices.
- **October 26, 2005.** The IRS released its “2006 Exempt Organizations Implementing Guidelines,” which included the Tax Exempt and Government Entities Division’s Strategic Plan for 2006-2007. The plan indicated one of that division’s main initiatives for 2006 was to ensure hospitals’ compliance with community benefit standards
- **June, 2006.** The IRS distributed a Community Benefit “compliance check” questionnaire (Form 13790) to nearly 600 hospitals. The questionnaire is intended to be a follow-up to the executive compensation audits issued in 2004/2005. It also represents an attempt to determine how hospitals as a group are satisfying the community benefit standard for tax-exemption ([see sidebar for reference](#)).

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## Actions to Consider



Not-for profit hospitals should expect continued interest in as well as possible official inquiries about their business practices, executive compensation practices, community benefit and charity care activities, joint ventures, and the like. Hospitals may need to seek the advice of legal counsel or accounting professionals to ensure that appropriate policies and programs are in place, that adequate documentation exists to support them, and that their performance is monitored. In addition, hospitals should consider creating an annual community benefits report using a widely-accepted industry model ([see sidebar for resources](#)).