

United States Senate

For Immediate Release

Thursday, Feb. 5, 2009

Grassley, Bingaman Seek Better Understanding of Nonprofit Hospital Charity Care

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, and Sen. Jeff Bingaman, committee member, are seeking to amend the economic stimulus bill with improvements to government agency coordination on and understanding of nonprofit hospitals' charity care.

“I’ve been looking into nonprofit hospitals and the charity care and community benefit they provide in return for the billions of dollars in benefits they receive under the tax code,” Grassley said. “We need to make sure the agencies are talking to each other so there’s consistency and accuracy in the way uncompensated care and charity care are defined. We need to make sure taxpayers are getting their money’s worth and that patients are getting affordable care.”

“As this economic crisis worsens and more Americans have a difficult time paying their bills and lose their health insurance, it makes sense for us to ensure nonprofit hospitals are providing free or reduced cost care at a level that is in-line with the substantial benefit they receive from not paying taxes,” Bingaman said.

Grassley and Bingaman said the stimulus bill amends the Social Security Act to provide incentive payments to hospitals that use electronic health records. The amount of a payment to a hospital is determined in part by a hospital’s share of charges related to charity care. The more charity care provided, then the more payment received.

The senators said they are concerned whether the Centers for Medicare and Medicaid Services (CMS), is able to implement this payment policy in an accurate and consistent manner. CMS collects data on the uncompensated care that hospitals provide through Medicare cost reports. Unfortunately, this data is of limited use because of shortcomings to the collection instrument. The Medicare Payment Advisory Commission, or MedPAC, has pointed out numerous shortcomings with the collection instrument and has made recommendations on making improvements. The IRS has extensively studied the definitions of charity care and uncompensated care. The agency recently implemented new reporting requirements for non-profit hospitals.

The first Grassley-Bingaman amendment would require CMS to coordinate with the IRS and MedPAC and develop a single, uniform definition of uncompensated care and charity care. This coordination would ensure consistency in reporting of uncompensated care and charity care. It also would eliminate a burden on hospitals that

otherwise might be facing different definitions of uncompensated care and charity care when dealing with the IRS or CMS.

The second Grassley-Bingaman amendment would require the IRS to study the activities of for-profit hospitals, especially the amount of uncompensated care they provide. The IRS is soon expected to release a report on the practices of tax-exempt hospitals. Because the report is being issued by Tax-Exempt and Government Entities Division, which only deals with nonprofit hospitals, it is not expected to contain information about the practices of for-profit hospitals. For-profit and nonprofit hospitals are subject to the same standards for purposes of federal health programs. Since they are treated differently under the tax code, it makes sense that IRS should study the activities of for-profit hospitals, especially the amount of uncompensated care they provide. This kind of study would provide valuable information on how hospitals' activities differ as a result of their tax status, the senators said.