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MEMORANDUM

To: Reporters and Editors  
Re: IRS report on tax-exempt hospitals' community benefit  
Da: Thursday, July 19, 2007

Today, the Internal Revenue Service (IRS) released an interim report summarizing responses from almost 500 tax-exempt hospitals to a May 2006 questionnaire about how they provide and report benefits to the community. Providing community benefit is required for hospitals seeking and retaining tax-exempt status as charities. Sen. Chuck Grassley, ranking member of the Committee on Finance, is reviewing tax-exempt hospitals' practices as part of a longstanding interest in making sure tax-exempt groups justify their extensive tax breaks with public service, and to protect non-profits from those who might exploit them for personal gain. His staff just released a discussion draft of possible reforms (not legislation) to non-profit hospitals. He made the following comment on today's IRS report.

“The report makes clear that we need to change business as usual at many of our nation's nonprofit hospitals. These are self-reported numbers and often include inflated costs or bad debt. It's troubling that even the overly broad figures paint a bad picture of a significant number of nonprofit hospitals doing very little charity care. The report highlights that 22 percent of the nonprofit hospitals spend less than 1 percent of total revenue on uncompensated care and that 21.6 percent of hospitals reported spending less than 2 percent on community benefit as a percentage of total revenue. The report also shows that it's possible for hospitals to provide generous support to those in need, with 20 percent of the hospitals providing over 10 percent of total revenues for uncompensated care. The question we have to answer is how to get the poor performers to do as good of a job helping provide medical care to vulnerable populations as the best performers. The newly released staff discussion draft of ideas begins to seek answers to that important question.

“The responses from the nonprofit hospitals make clear that the hospitals are all over the map in defining charity care. We need common terms and measurements so taxpayers can have confidence that nonprofit hospitals are providing benefits commensurate with the billions of dollars in tax breaks they receive every year. I'm especially troubled by the reporting by some hospitals that they do little to nothing to inform or promote charity care policies to their patients. These policies shouldn't be hidden under a bushel. They should be in the light for all to know and see.

“I look forward to examining today's report in more detail and look forward to the additional analysis to come in this compliance project.”