



NATIONAL
RURAL HEALTH
RESOURCE CENTER

PPACA Tax Exempt Hospital Status Requirements: 9007

The [Patient Protection and Affordable Care Act \(PPACA\): section 9007](#) (Pub. L. No. 111-148) includes four primary adjustments to the federal income tax exemption requirements for nonprofit hospitals. Nonprofit is defined as an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Hospital is defined as an organization that is licensed, registered, or similarly recognized as a hospital. If a hospital organization operates more than one hospital facility, the organization is required to meet the requirements separately with respect to each facility. Under the PPACA, tax-exempt hospitals must take the following actions to avoid penalties:

- Conduct a **community health needs assessment** at least once every three years that takes into account the broad interests of the community served by the hospital and must include individuals with expertise in public health
 - The community health needs assessment must be made widely available to the public.
 - An action plan must be developed by the hospital that identifies how the assessment findings are being implemented in a strategic plan.
 - If the findings are not being utilized in a strategic plan, documentation must be included as to why they are not being addressed at this time.
 - Requirements are met only if the organization has conducted a community health needs assessment in the taxable year or in either of the two taxable years immediately preceding the current taxable year.
 - Requirements are applicable beginning in taxable years starting after March 23, 2010.
 - Will need to complete a needs assessment and adopt an implementation plan some time during a period that begins with the start of the first tax year after March 23, 2010 and end of its tax year the begins after March 23, 2012.
- Make **financial assistance policies widely available** which specifies eligibility criteria for discounted care and how billed amounts are determined for patients (Interpretation: prohibits the use of gross charges)
- **Notify patients of financial assistance policies** through “reasonable efforts” before initiating various collection actions or reporting accounts to a credit rating agency (“Reasonable efforts” is yet to be defined as of 8/19/10)

- **Restrict charges of uninsured, indigent patients** to those amounts generally charged to insured patients

This act imposes penalties on hospitals that fail to timely conduct their community health needs assessments which could include penalties of equal to \$50,000 and possible loss of the organization's tax exempt status. Under the PPACA, the Internal Revenue Service must review the exempt status of hospitals every three years. In addition, the PPACA requires the U.S. Department of the Treasury, in consultation with the U.S. Department of Health and Human Services (HHS), to prepare an annual report for Congress on charity care, bad debt expenses, certain unreimbursed costs, and costs incurred for community benefit activities. In five years, Treasury and HHS must also provide Congress with a report on community benefit-related trends.

For additional information, please review the requirement as laid out in the legislation (see hyperlink at beginning of document) or contact Kami Norland, Community Specialist, National Rural Health Resource Center, at knorland@ruralcenter.org or (218) 727-9390 ext. 223.