



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Charity hospitals
Da: Friday, July 14, 2006

Sen. Chuck Grassley, chairman of the Committee on Finance, yesterday asked the following question on charity hospitals to Eric Solomon, the administration's nominee for deputy Treasury secretary for tax policy, at Solomon's nomination hearing yesterday. Solomon said he was committed to working on this issue. No transcript is available but you can watch the exchange via Realplayer on finance.senate.gov under "hearings."

Chairman Grassley's Question:

The IRS is engaged in a significant review of charity hospitals. They have sent out an extensive list of questions to several hundred hospitals asking a series of questions. I'm pleased to see this action, but I am concerned that this not be just a fact-gathering exercise. The end result should be real changes to the requirements of charity hospitals.

I am engaged in an ongoing review of charity hospitals and it is clear that these hospitals are all over the map when it comes to providing charity care, community benefit and charges to the uninsured. Some charity hospitals are doing a little, some a lot and some nothing. These charity hospitals are receiving billions of dollars each year in tax benefits – the public has a right to expect real public benefits in return.

It is important to remember that the reason for this is that the IRS changed the rules – there was no change in the law. The IRS in 1969 changed the rules because they listened to the lobbyists who hoodwinked the IRS and Treasury that inability to afford medical care was a problem of the past. Well, we are all well aware that the inability to afford medical care is very much a problem of the present.

Mr. Solomon, it is clear that the IRS and Treasury decision to change the rules regarding charity hospitals in 1969 was based on extremely inaccurate information.

I want your commitment that the Treasury and IRS are going to look at the real facts – that there is a great need to help low-income people facing medical expenses – and that Treasury and IRS are going put out new guidance during this administration that puts real teeth to charity care, community benefit, charges to the uninsured and other important issues in this area. Poor people shouldn't have to suffer because Treasury and IRS got the facts wrong in 1969.

To that end – I request the following:

- 1) a timeline for review and proposals for reforming guidance in this area;
- 2) the individuals responsible at Treasury and IRS for reviewing the material submitted by the hospitals and for drafting and reviewing new guidance;
- 3) a copy of all documents, memorandums, material in the possession or control of Treasury and IRS related to the 1969 decision.
- 4) a copy of all submissions from the hospitals that the IRS receives as well as the names of any hospitals that did not respond.