



JULY 2016

October 1 Compliance Deadline for Section 501(r) Regulations

Is your hospital one of the hundreds of charitable hospitals with fiscal years ending Sept. 30? If so, your hospital has only a short amount of time to put in place policies and procedures to comply with the regulations under §501(r) of the Internal Revenue Code in order to maintain its tax-exempt status. The compliance deadline is Oct. 1, 2016, and the requirements are substantial.

Section 501(r), added to the Code by the Patient Protection and Affordable Care Act, imposes new requirements that charitable hospitals must satisfy in order to maintain their tax exemption under §501(c)(3). In particular, every §501(c)(3) hospital organization is required to meet five general requirements on a facility-by-facility basis:

- 1) Establish a written financial assistance policy (FAP) that contains specified information and is widely publicized in the manner stipulated by regulation.
- 2) Establish an emergency medical care policy that requires the hospital to provide care for emergency medical conditions to individuals without discrimination and regardless of whether they are eligible for financial assistance under the FAP.
- 3) Establish billing processes and systems that limit the amounts charged to FAP-eligible patients to the amounts generally billed to patients with insurance.
- 4) Establish policies and procedures regarding collections actions that ensure that reasonable efforts are made to determine whether a patient is FAP-eligible before extraordinary collection actions are taken against the patient.
- 5) Conduct a community health needs assessment and adopt an implementation strategy to meet the health needs identified in that assessment at least once every three years.

The requirements of the §501(r) regulations apply to a hospital's first fiscal year beginning in 2016. If your hospital is one of the majority of charitable hospitals with fiscal years beginning July 1 or later, it should have implemented its policies and procedures to comply with §501(r) or be in the process of finalizing them.

Are You Compliant?

In order to meet the five basic requirements outlined above, hospitals must satisfy the detailed set of rules set forth in the regulations under §501(r). [Preston Quesenberry](#), the author of the §501(r) regulations, has recently joined Loeb & Loeb. For questions or assistance with your hospital's

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§501(r) compliance needs, please contact him at pquesenberry@loeb.com or 202-524-8470.

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