



Health eSource

Your Link to the ABA Health Law Section News & Information

[Home](#) > [Publications](#) > [ABA Health eSource](#) > [2014-2015](#) > [August](#) > [Crafting a Compliant Financial Assistance Policy under the Final 501\(r\) Regulations](#)

Crafting a Compliant Financial Assistance Policy under the Final 501(r) Regulations

Vol. 11 No. 12

Maire B. Corcoran Ragozzine, Eastern Maine Medical Center, Bangor, ME



Section 501(r) of the Internal Revenue Code (IRC) was added by the Patient Protection and Affordable Care Act of 2010 (PPACA), and contains specific criteria that section 501(c)(3) tax-exempt hospitals must follow in order to maintain their tax-exempt status.¹ Among the requirements of section 501(r) is the requirement that charitable hospitals

establish, and the hospital's governing board adopt, a written financial assistance policy (FAP).² The addition of the FAP requirement was at least in part due to increased scrutiny of hospital billing and collection practices, as well as U.S. Senator Chuck Grassley's efforts since 2005 to hold 501(c)(3) hospitals accountable for the tax-exemption benefits they receive, and specifically to put into place standards for 501(c)(3) hospitals' charity care programs and how 501(c)(3) hospitals notify the public of those programs.³ Besides requiring that a written FAP exist, IRC section 501(r) provides scant additional guidance on how the FAP should be crafted and what elements it must contain. Since passage of PPACA, hospitals have relied on proposed regulations published on June 26, 2012⁴ and April 5, 2013,⁵ respectively, to determine what elements are required for a compliant FAP. At last, on December 29, 2014, the Internal Revenue Service (IRS) issued final regulations implementing section 501(r).⁶ The final regulations, and particularly sections 1.501(r)-4 through 1.501(r)-6, incorporate much of the proposed regulations, but also contain some key differences. Although the final regulations apply only to taxable years beginning after December 29, 2015,⁷ hospitals should be working now to update their charity care policies to ensure that they can fully operationalize the requirements in the final regulations.

Health eSource

[December Issue of Health eSource Now Available](#)

[Recent Developments in Off-Label Use and Legal Implications to Physicians](#)

[Post-Escobar Circuit Challenges](#)

[Navigating the Federal Regulatory Structure of Assisted Reproduction Technology Clinics](#)

[November Issue of Health eSource Now Available](#)

[View more eSource articles](#)

