



# Are you sure your hospital is 501(r) compliant?

# Take this quiz to find out.



Many hospital executives have a false sense of security when it comes to their organizations' Internal Revenue Code Section 501(r) compliance. It's not uncommon for high-level hospital finance executives to delegate the task of 501(r) compliance to others within the organization—perhaps even other individuals outside of the finance department. Some level of delegation makes sense because 501(r) compliance is so multi-faceted, in that it involves finance, tax, patient financial services, compliance, revenue cycle, legal, community relations, and other departments as well.

When delegation of 501(r) compliance occurs within an organization, however, especially when delegation is made to one or only a few individuals, hospital executives need to ask questions to be sure that those responsible for 501(r) compliance fully understand the magnitude of the task. There are numerous examples of individuals within hospital organizations reporting to senior management that 501(r) compliance is “under control” or “taken care of” – but when compliance is actually tested, there is still work to be done. Remember, 501(r) compliance is required for charitable hospital organizations to maintain their federal tax-exempt status, so compliance clearly is not to be taken lightly.

Here is a short quiz for members of your organization to take to test your hospital's 501(r) compliance risk. While this quiz is very high level and cannot test every aspect of 501(r) compliance, **if your organization registers a “no” answer for any question, you should consider whether internal assurances that your hospital is compliant are creating a false sense of security.**

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- 1** Have your hospital's financial assistance, emergency medical care, and billing and collection policies been updated and board-approved since the section 501(r) final regulations were released in December 2014? Yes  No
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- 2** Does your hospital's financial assistance policy (FAP) contain a list of every provider – including all physicians (listed either by name, group, or department) – who provide care in the hospital that indicates whether the provider is covered by the FAP or not? (It is usually a very lengthy list.) Yes  No
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- 3** Can you readily find your hospital's FAP, financial assistance application, and plain language summary of the FAP on your hospital's website? (Try it—and time yourself.) Yes  No
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- 4** Does your hospital's FAP specifically mention that AGB (amounts generally billed) is calculated under either the Look-back Method or the Prospective Medicare or Medicaid Method? Yes  No
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- 5** When you walk around your hospital, do you easily see signage and brochures – in English and the languages of other prevalent populations in your service area – that advise patients and visitors about the availability of financial assistance? Yes  No
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- 6** Do you know how your hospital's front-line staff members respond to oral and written inquiries about financial assistance? For example, are they consistent and informative in their responses so that a patient will walk away from an encounter knowing how to apply for financial assistance or how to obtain help with the application process? (Consider calling anonymously and asking yourself.) Yes  No
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- 7** If an IRS agent would ask you how your hospital complies with all of the 501(r) requirements, would you have a documented record of an organized compliance process to show the agent that clearly demonstrates how your hospital makes a good faith effort to comply with the law and regulations? Yes  No
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- 8** Do you know if your hospital's outside patient-debt-collection vendor is knowledgeable about 501(r) compliance, and have you made required amendments to written contracts with those vendors? Yes  No
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