

118TH CONGRESS
1ST SESSION

H. R. 2859

To amend the Internal Revenue Code of 1986 to establish new community benefit standards for tax-exempt hospital organizations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 25, 2023

Mrs. SPARTZ introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish new community benefit standards for tax-exempt hospital organizations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Holding Nonprofit
5 Hospitals Accountable Act”.

6 **SEC. 2. ADDITIONAL REQUIREMENTS FOR CERTAIN HOS-**
7 **PITALS.**

8 (a) IN GENERAL.—Section 501(r) of the Internal
9 Revenue Code of 1986 is amended—

(1) in paragraph (1), by striking “and” in subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

“(E) meets the community benefit standard described in paragraph (7).”,

(2) by redesignating paragraph (7) as paragraph (8), and

(3) by inserting after paragraph (6) the following new paragraph:

“(7) COMMUNITY BENEFIT STANDARD.—

“(A) IN GENERAL.—A hospital organization meets the requirements of this paragraph if such organization—

“(i) has a board of directors drawn from the community in which such organization is located,

“(ii) both—

“(I) treats patients who pay their bills through public programs, including under the Medicare program under title XVIII of the Social Security Act or under the Medicaid program under title XIX of such Act, and

1 “(II) does not limit the number
2 of such patients served at any clinical
3 site owned or controlled by such orga-
4 nization, and

5 “(iii) spends an amount which meets
6 or exceeds the expenditure threshold for
7 the taxable year on any combination of—

8 “(I) training, education, or re-
9 search designed to improve patient
10 care,

11 “(II) improvements to facilities
12 and equipment except as provided in
13 subparagraph (C), and

14 “(III) free or discounted care
15 pursuant to a financial assistance pol-
16 icy.

17 “(B) EXPENDITURE THRESHOLD.—For
18 purposes of this paragraph, the term ‘expendi-
19 ture threshold’ means 100 percent of the value
20 of the Federal, State, and local tax exemptions
21 of the hospital organization for the taxable
22 year.

23 “(C) SPECIAL RULES FOR IMPROVEMENTS
24 TO FACILITIES AND EQUIPMENT.—

1 “(i) IN GENERAL.—For purposes of
2 clause (iii)(II) of subparagraph (A)—

3 “(I) expenditures under such
4 clause may not be used to account for
5 more than 50 percent of the minimum
6 spending requirement under such sub-
7 paragraph, and

8 “(II) expenditures for the acqui-
9 sition of a physician practice, hospital,
10 ambulatory surgical center, or any
11 other care delivery organization shall
12 not be taken into account as an im-
13 provement to facilities or equipment
14 under such clause.

15 “(ii) CARE DELIVERY ORGANIZA-
16 TION.—For purposes of clause (i), the
17 term ‘care delivery organization’ means an
18 organization of people, institutions, and re-
19 sources whose primary mission is to deliver
20 health care services to meet the health
21 needs of a target population.”.

22 (b) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2024.

1 **SEC. 3. HOSPITAL ORGANIZATION FINANCIAL ASSISTANCE**
2 **POLICY COMPLIANCE REQUIREMENTS.**

3 (a) IN GENERAL.—Section 501(r) of the Internal
4 Revenue Code of 1986, as amended by the preceding pro-
5 vision of this Act, is further amended in paragraph (5)(A)
6 by inserting “according to Medicare rates with respect”
7 after “billed”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to taxable years beginning after
10 December 31, 2024.

11 **SEC. 4. FINANCIAL ASSISTANCE POLICY REVIEW AND RE-**
12 **PORT.**

13 (a) REVIEW.—The Treasury Inspector General for
14 Tax Administration shall conduct a review of financial as-
15 sistance policies of hospital organizations under section
16 501(r)(4) of the Internal Revenue Code of 1986.

17 (b) REPORT.—Not later than 365 days after the date
18 of the enactment of this Act and annually thereafter, the
19 Treasury Inspector General for Tax Administration shall
20 submit to the Committee on Ways and Means of the
21 House of Representatives and the Committee on Finance
22 of the Senate a report on the results of the review con-
23 ducted under subsection (a), including—

24 (1) the content of financial assistance policies
25 of hospital organizations,

1 (2) compliance of hospital organizations with
2 the financial assistance policy requirements of sec-
3 tion 501(r)(4) of the Internal Revenue Code of
4 1986, and

5 (3) such other topics as are determined by the
6 Treasury Inspector General for Tax Administration
7 to be relevant to financial assistance policies.

8 **SEC. 5. INTERNAL REVENUE SERVICE ENFORCEMENT RE-**
9 **VIEW AND REPORT.**

10 (a) REVIEW.—The Comptroller General of the United
11 States shall conduct a review of the effectiveness of the
12 Internal Revenue Service in enforcing compliance with the
13 community benefit standard for hospital organizations
14 under section 501(r)(7) of the Internal Revenue Code of
15 1986.

16 (b) REPORT.—Not later than 365 days after the date
17 of the enactment of this Act and no later than every three
18 years thereafter, the Comptroller General of the United
19 States shall submit to the Committee on Ways and Means
20 of the House of Representatives and the Committee on
21 Finance of the Senate a report on the results of the review
22 conducted under subsection (a).

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