

# IRS rules to protect patients from health care financial burdens are inadequate, need legal reform

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Recently issued new Internal Revenue Service (IRS) rules for tax-exempt, typically nonprofit, hospitals designed to help protect patients from health care financial burdens are inadequate and need further legal reform, Georgia State University Law Professor Erin C. Fuse Brown says.

The *American Marketing Association (AMA) Journal of Ethics* published Fuse Brown's article, "IRS Rules Will Not Stop Unfair Hospital Billing and Collection Practices" in August. The article summarized Fuse Brown's analysis of the IRS rules issued in December 2014. The rules address the problems of unfair hospital prices and harsh debt collection practices, including assigning the debt to collection agencies, suing [patients](#), seeking foreclosure on patients' homes or garnishing wages.

Fuse Brown was motivated to write the article after hearing stories of patients who were being subject to very harsh debt collection and billing practices from hospitals. She wanted to address questions of whether these practices were legal and if anything could be done to protect individuals from the financial insecurity caused by their medical bills.

"Everyone has a personal experience with struggling to make sense of their medical bills, keep track of their bills, or dig out from credit damage from medical debts they didn't even know about," Fuse Brown said. "These are issues that affect everyone, and they are only getting

worse as patients are asked to foot more and more of the cost of their own medical care."

Fuse Brown examined the [financial assistance](#) policies for 140 hospitals across 14 states and was surprised by the variations among them, especially with the new legal standards coming from the IRS for tax-exempt hospitals.

"I expected to see more of a standard industry practice emerging for hospital financial assistance and charity care," she said. "But the policies are all over the map and patients still have no idea when they go to a hospital what the financial bottom line will be for them."

Fuse Brown found the rules provide inadequate and unpredictable protection for many patients.

"First, they do not apply to for-profit or government-run hospitals, which make up more than 40 percent of all hospitals in the United States," she wrote. "Second, the rules give hospitals complete discretion to determine eligibility for financial assistance, which is the trigger for the rules' protections. Under the rules, for example, a hospital could adopt a narrow financial assistance policy with very restrictive income requirements, exclude all patients with any form of insurance regardless of out-of-pocket expenses, or make applying for financial assistance so onerous that few are able to complete the process."

In the article, Fuse Brown outlines a better approach - fair hospital pricing and collection for all.

"Patients ought to be treated fairly by all hospitals, which have a duty to avoid inflicting not only physical harms on their patients but also unjustifiable financial harms. It is time to broaden the protections of fair [hospital](#) billing and collection practices to all hospitals and financially

vulnerable patients," she concluded.

Fuse Brown hopes the article highlights that more needs to be done to financially protect patients and prompts action among healthcare providers and health policymakers, a primary audience for the *AMA Journal of Ethics*.

"As with all my research, I work on issues not for their theoretical value but to affect real-world policy and to help real people," she said. "I hope that my article highlights that the Affordable Care Act did not finish the job in terms of patient financial protections. More needs to be done, and we have some great models from state laws that can show us the way."

Provided by Georgia State University

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