

IRS Chief Counsel Declares Contractual Adjustments Illegal in Healthcare Billing

Crusader Roy J. Meidinger Exposes Hidden Kickbacks and Calls for Equal Pricing for All Patients

Fort Myers, Florida Oct 3, 2025 ([IssueWire.com](https://www.issuewire.com)) - Washington, D.C. — In a groundbreaking development, the IRS Chief Counsel's Office has confirmed that the use of so-called 'contractual adjustments' in healthcare billing is illegal. This determination comes after years of advocacy by reform crusader Roy J. Meidinger, who has tirelessly exposed the hidden tax manipulations and secret deals between hospitals and insurance companies.

Contractual adjustments — the practice of billing patients inflated 'chargemaster' rates, then secretly writing off large portions as 'negotiated discounts' for insurers — have long disguised cancellation-of-debt income and fueled a system of backdoor kickbacks. The IRS Chief Counsel's interpretation, supported by Chief Counsel Advice (CCA 20151101F), makes clear that only valid, contemporaneously documented discounts at the time of billing are allowable. All other write-offs are taxable income under Internal Revenue Code §61(a)(12).

This decision signals the end of a decades-long practice that allowed insurance companies to receive secret discounts and steer payments. In contrast, patients without insurance or those paying out-of-pocket were charged inflated rates. It eliminates the shadow system of negotiated fees that distorted the market and entrenched anticompetitive practices.

Roy J. Meidinger, the whistleblower and author behind this reform effort, stated: 'This ruling levels the playing field. Every patient will now be billed the same price for the same service. No more hidden discounts, no more secret kickbacks. This is a victory for transparency, fairness, and competition in healthcare.'

Healthcare experts believe that removing contractual adjustments will drastically reduce overall costs by exposing the actual prices of care, forcing hospitals and insurers to compete openly. Employers, patients, and taxpayers are poised to save billions as the system aligns with honest billing practices.

The implications are enormous: transparency in healthcare pricing, the elimination of insurer kickbacks, restored competition, and reduced national healthcare costs. This is not just a tax enforcement issue, but a structural reform of the healthcare economy.

Meidinger, hailed as a modern-day crusader for financial and healthcare justice, continues his campaign to hold the industry accountable and to restore trust in the system.

IRS CCA 20151101F (Nov. 2015) – Key Points

- **Topic:** Whether a hospital's "contractual adjustments" (post-billing write-offs where insurers pay less than the full chargemaster bill) are discounts or taxable income.
- **IRS Position in the CCA:**

- A reduction can be treated as a **price concession** (i.e., lower revenue) only if:
- The lower price was the actual price agreed to **at the time of billing**,
- The concession is **contemporaneously documented** (on the patient bill, contract, or governing record), and
- The policy is **applied uniformly** to all similarly situated patients.
- If those conditions are **not met**, the adjustment is not a discount. Instead, the unpaid portion is **cancellation-of-debt (COD) income** under **IRC §61(a)(12)**.

- **Statutory Analysis:**

- There is **no special “contractual adjustment” exclusion** in the Internal Revenue Code.
- The only possible exclusions are the narrow **§108 exceptions** (bankruptcy, insolvency, qualified farm or real property debt). These **do not apply** to healthcare billing write-offs.

- **Nature of the Document:**

- CCAs are **non-precedential** and apply only to the specific taxpayer/fact pattern presented (IRC §6110(k)(3)).
- They do, however, show how the IRS **interprets the law internally** and guide field examiners.

- **Supreme Court Ruling**

The IRS Chief Counsel's position in **CCA 20151101F** is entirely in line with long-standing Supreme Court precedent. In *Spring City Foundry Co. v. Commissioner*, **292 U.S. 182 (1934)**, the Court ruled that under accrual accounting, the **customer's bill fixes the amount of income that must be recognized**. The so-called “contractual adjustments” that reduce patient bills after the fact are essentially a form of debt cancellation, which is taxable under the Internal Revenue Code.

This confirmation by the IRS Chief Counsel's Office, echoing the Supreme Court's authority, closes the loophole that has enabled decades of hidden discounts, kickbacks, and secret negotiated fees.

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