

Tax Exempt Does Not Mean Law Exempt

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The words “nonprofit hospital” inspire trust. Many nonprofit institutions provide indispensable care. But nonprofit status is a legal structure, not permission to ignore laws that otherwise apply.

Public Benefit and Public Responsibility

A nonprofit hospital still needs revenue, pays employees, buys equipment, borrows money and can produce a financial surplus. “Nonprofit” does not mean “no money.” Tax exemption likewise does not mean immunity from antitrust, fraud, reporting, employment, patient-safety or other laws.

The Problem of Many Regulators

Healthcare is watched by many authorities. Tax agencies administer tax law. Competition authorities enforce antitrust rules. Healthcare agencies administer federal payment programs. States regulate insurance, facilities, professions and charities.

A single insurer-provider transaction may raise accounting, tax, reimbursement and competition questions at the same time. If each agency sees only one piece, who sees the whole?

When Everyone Assumes Someone Else Checked

In a mature industry, a practice may be repeated by thousands of people who have no intention of breaking the law. Each may assume it was reviewed long ago because it is widespread.

That assumption can protect lawful practices from needless disruption. But it can also allow a harmful or unlawful practice to continue if nobody performs the underlying examination.

“Everyone does it” is neither proof of guilt nor a defense. The law still has to be applied to the facts.

The Role of a Whistleblower

Whistleblower programs exist because government cannot see every transaction from the outside. A whistleblower allegation is not a verdict. It is information asking government to determine whether further examination is warranted.

The author's IRS submissions do not establish violations merely because they were filed. An administrative closure likewise should not be confused with a judicial determination of every underlying proposition unless those merits were actually reached.

Respect Requires Accountability

Hospitals save lives. Doctors and nurses deserve respect. Accountability does not diminish that respect. Consistent enforcement can protect honest institutions and strengthen public trust.

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Editor's note: This series distinguishes documented facts and established law from allegations, disputed interpretations and the author's proposed legal, tax and economic theories.

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