

May 14, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. EITF090L

Re: Proposed Accounting Standards Update – Health Care Entities (Topic 954) –

Measuring Charity Care for Disclosure, a consensus of the FASB Emerging Issues

Task Force

Dear FASB Technical Director:

Catholic Healthcare West (CHW) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB's) exposure draft of the proposed FASB Accounting Standards Update ("ASU") of Health Care Entities (Topic 954), *Measuring Charity Care for Disclosure, a consensus of the FASB Emerging Issues Task Force*, which would reduce the diversity in practice of the disclosure of a measure of charity care.

Catholic Healthcare West (CHW), headquartered in San Francisco, California, is a system of hospitals and medical centers in California, Arizona and Nevada, providing a variety of healthcare, education, and other benefits to the communities in which it operates. Founded in 1986, CHW is the eighth largest hospital system in the nation and the largest not-for-profit hospital provider in California. We are committed to delivering compassionate, high-quality, affordable health care services in a compassionate environment that is attuned to every patient's physical, mental and spiritual needs. The CHW network of physicians and employees provides quality health care services during more than four million patient visits annually.

One of CHW's Core Values is Stewardship, which is integrated within CHW's Mission to consistently comply with all financial accounting and reporting requirements and to provide accurate and meaningful information to the users of CHW's financial statements and footnote disclosures.

CHW believes the goals and objectives of the proposed ASU should be to improve the level of understanding between those who provide financial information and those who seek and use this information. The goals and objectives should also take into consideration the complex characteristics of the healthcare industry.

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General Comments

CHW agrees with the FASB that the proposed ASU has the potential to improve the overall quality of disclosures by providing more useful and timely information with respect to the measurement of charity care provided by healthcare entities.

In the exposure draft, the FASB sought comments on all matters presented in the proposed ASU, including a number of specific questions about what measure of charity care should be used for disclosure within the healthcare entity financial statements. Below are CHW's responses to the FASB's specific questions:

Question #1: Do you agree that an entity's disclosure of a measure of charity care should be based on the direct and indirect costs of providing the charity care? If not, why not? What alternative measure would you prefer and why?

CHW agrees that a healthcare entity's disclosure of charity care should be measured based on the direct and indirect costs of providing charity care.

Costs, not charges, should be the primary reporting unit for valuing charity care, rather than charges for patient services. Reporting charity care based on cost will reflect a more appropriate and comparable measure of the cost or consumption of resources foregone by the healthcare entity. There can be too many variations among healthcare entities in the charges for the same level of patient care, and therefore the use of charges for patient care in measuring charity care would potentially provide misleading information about the resources consumed in providing charity care.

Further, we believe that costs of charity care disclosed should be estimated using the most accurate method available to the healthcare entity. Ideally, cost data should be obtained from a cost accounting system. In lieu of a cost accounting system, costs may be estimated using the best data and method available. The method of estimation of the cost of charity care should be disclosed in the footnotes to the financial statements.

Question #2: The Task Force considered requiring a measure of charity care based on the average rate collected from paying patients for similar services. Do you believe that this measure would be more meaningful for financial statement users than the cost to provide charity care and if so, why? If not, why do you believe cost is more meaningful?

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No. CHW does not agree that measuring charity care based on the average rate collected from paying patients is an appropriate measure. The financial circumstances of patients who are personally responsible for their health care bill vary among patients. Using an average reimbursement collected from paying patients would imply a measurement of patient services for which revenue was recognized, rather than the cost incurred and foregone. In addition, the use of the average rate collected would imply that typically these charity care patients reimburse the healthcare entity by paying an average rate for patient services, when there is typically no reimbursement from the patient at all.

Applying the average rate of reimbursement collected from paying patients to charity care patients is not a meaningful concept as a healthcare entity typically foregoes payment because the patient is unable to pay. It is not the case that a healthcare entity could have recognized revenue but instead decided to forego the average payment rate. Rather, the disclosure of the cost of charity care is a valid measure as it reflects the resources that the healthcare entity consumed with no reimbursement.

Question #3: Do you agree that the amendments in this proposed Update should be applied retrospectively? If not, why not?

Yes. CHW believes that the proposed ASU should be applied retrospectively. Healthcare entities already have multiple methods of estimating costs. As discussed above, the preferred method of measuring the cost of charity care is the use of data collected from a cost accounting system; however, other reliable methods should yield a reasonably consistent measure so there is little risk of the inability to retroactively report a measure based on cost that is reasonably accurate. The important aspect is to disclose the costing methodology utilized and to strive to use consistent costing methods between periods going forward.

Question #4: Do you anticipate that there would be significant changes in accounting systems or information gathering to implement the provisions of the proposed Update? If yes, please explain.

No. CHW does not anticipate that significant changes in accounting systems or information gathering would be required to implement the provisions of the proposed ASU. Healthcare entities already have multiple methods of estimating the costs of charity care available, such as the cost to charge ratio method. Again, the important aspect is to disclose the costing methodology used by the healthcare entity and to use the methodology consistently among periods.

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Question #5: How much time do you believe would be necessary for you to efficiently implement the provisions of this proposed Update?

As most healthcare entities already gather data about the costs of providing charity care currently, CHW believes implementation of the provisions of the proposed ASU could take place immediately.

Thank you for the opportunity to comment. We are always ready to provide additional comments, or meet with you or members of your board to discuss this matter further. If we can provide additional material or perspective on this issue, please contact Mary Connick, Vice President-Finance and Corporate Controller, at (415) 438-5592 or by email at mary.connick@chw.edu.

Sincerely,

Michael D. Blaszyk

Executive Vice President & Chief Financial Officer

Mary Connick

Vice President Finance & Corporate Controller