

Via E-Mail November 5, 2010

director@fasb.org
File Reference No EITF090H

Dear Director:

The stated purpose of the Proposed Accounting Standards Update is to address concerns that health care entities may recognize revenue for which the ultimate collection of all or a certain portion of the amount billed or billable is not reasonably assured at the time the services are rendered. Presumably, this is due to the separation of reporting Net Patient Service Revenue and Bad Debt Expense as separate line items on the income statement. Health care entities would not accurately state financial statements if Net Patient Service Revenue less Bad Debt Expense did not represent amounts reasonably assured to be collected.

The additional requirements proposed include disclosure of: 1) the entity's policy for assessing collectibility in the timing and amount of bad debt expense recognized, 2) a tabular reconciliation of the activity in the allowance for doubtful accounts, 3) disclosure of the entity's policy for assessing collectibility in the timing and amount of revenue recognized, and 4) its net revenue by major payor. The disclosure requirements related to policies noted as 1 and 3 above are already met in the Summary of Significant Accounting Policies. Further expansion of the description of those policies is too complex and would not enhance a financial statement user's understanding of the accounts receivable valuation process. In addition, the complexity of the valuation of Accounts Receivable is such that financial statement users will continue to rely on the audit opinion to determine the appropriateness of policies and reserves even with expanded disclosures.

The additional disclosure of data, reporting the provision for bad debt by major payor and net revenue by major payor, does provide valuable information to financial statement users about an entity's sources of net revenue. The progression of the allowance for doubtful accounts provides additional information, however, we question the value of the information without the benefit of accounts receivable balances by major payor and/or the progression of charity and contractual reserves for those major payors. We recommend that the disclosure of bad debt be limited to the provision of bad debt by major payor and not provided as a tabular reconciliation.

We believe that disclosure of Net Revenue by major payor is the information that financial statement users are most interested in to assess the financial strength of a health care entity. In our opinion, disclosure of net revenue by major payor is significantly more valuable than by type of service. In addition, capturing the information to disclose by type of service would be very costly. Financial systems are designed to capture payor and financial statement line item data. The classification by type of service is not required for billing or collection and is subjective due to the clinical complexity of patients who receive many types of services. In addition, standardization of type of service would be required for comparability between health care entities. Standardization would require cost prohibitive changes to information systems.

The additional information required for the disclosures will create a varied level of additional work for health care entities with limited added benefit to financial statement users. Health care entities are complex organizations, frequently with multiple information systems required to bill and collect all health services provided. Each financial system will have to be assessed to determine modifications to reporting necessary to meet the new requirements. The amount of time required will vary significantly depending upon the number of financial systems and the relative sophistication of financial systems in place. The information required is anticipated to be available but not previously reported. Retrospective reporting of net revenue and provision for bad debt by major payor, not by type of service, is reasonable.

I appreciate the opportunity to provide comment on the proposed accounting standards update.

Sincerely,

Randall J. Combs

Senior Vice President, Chief Financial Officer

Sisters of Mercy Health System

14528 S. Outer Forty

Suite 100

Chesterfield, MO 63017