

Measuring Charity Care for Disclosure  
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The following are my comments on the questions raised by the Board related to consistent recording of Charity Care of health care entities.

As a professional advisor to our clients, and from working with numerous entities providing health care services, it seems that requiring them to determine the costs associated with charity care would be a tremendous burden on the agencies. We work with a County health department, a nonprofit agency providing speech and therapy services, and a mental health agency to name a few. These agencies rely on grants, taxes, contributions and service fees to support their missions. They are already working on shoestring budgets and adding any additional overhead (accounting related busy work) would be irresponsible.

Question 1: Do you agree that an entity's disclosure of a measure charity care should be based on the direct and indirect costs of providing the charity care?

The agencies mentioned above provide services for the community at already reduced rates – below those charged by for-profit concerns. Will the health department nurse have to do a cost study of her time to determine how much is spent providing care to those who can't pay? Will the speech therapist have to do the same for patients seen who are receiving public aid benefits? What is given to those patients is already being captured from a revenue/fee basis. If someone reading these financial statements wants to know how much service is given at reduced rates, they need to know the discounts of service fees, not the cost of providing the service. It seems that health care organizations are already capturing this information, and if the FASB sees a need for consistent reporting, then use the information already at hand and disclose the discounted fees, not costs.

Question 2: If not cost what about an average rate?

See comments to question one.

Question 3: Do you agree that the amendments in this proposed Update should be applied retrospectively?

To be consistent, yes.

Question 4: Do you anticipate that there would be significant changes in the accounting systems or information gathering to implement the provisions of the proposed Update?

Yes. Service fees are based on gross charges less discounts for subsidized patients. The unsophisticated billing systems used by local health providers are based on fees charged, not costs, and adjusted for any known rate reductions (free, sliding fee, subsidized, full pay).

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

Many government and nonprofit providers use lower end accounting packages since they have to work within a tight budget, with little formal accounting knowledge or training. They usually know enough to be able to bill for services, pay bills and reconcile cash. A change to cost basis accounting would require significant resources that would be completely out of reach for these agencies.