



May 17, 2010

Mr. Russell G. Golden, Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Via E-mail to [director@fasb.org](mailto:director@fasb.org)

Audit - Tax - Advisory

Grant Thornton LLP  
175 W Jackson Boulevard, 20th Floor  
Chicago, IL 60604-2687

T 312.856.0200  
F 312.565.4719

[www.GrantThornton.com](http://www.GrantThornton.com)

Re: File Reference No. EITF 090L

Dear Mr. Golden:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update (ASU), *Health Care Entities (Topic 954) — Measuring Charity Care for Disclosure*. Our concerns about the proposal are addressed in our responses to the following Questions for Respondents in the proposed ASU.

**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?**

Currently, GAAP does not require all health care entities to use the same measure for their disclosures of charity care provided. The objective of the proposed guidance is to reduce diversity in practice, which would improve comparability of information reported by different health care entities.

Clarity of proposed guidance

We agree that cost could be a good basis for measuring charity care provided. However, the proposed ASU provides no definition of "direct and indirect costs of providing charity care" or other application guidance. We are concerned that without such guidance the application of the proposed measure by different entities may not provide the expected comparability of reported charity care information. Therefore, if the Board adopts the proposed disclosure requirement, we recommend that the final ASU provide definitions for "direct costs" and "indirect costs" of charity care as well as additional guidance to provide for consistent application of the requirement.

Benefits and costs

We are concerned that the incremental cost and effort to apply the proposed guidance may not be insignificant for some entities compared to the possible benefits of reducing diversity in disclosures of charity care provided. Paragraph BC9 of the proposed ASU indicates that the

incremental costs of applying the proposal are expected to be insignificant:

The Task Force does not anticipate that entities would incur significant costs as a result of the amendments in this proposed Update. The Task Force expects that the proposed disclosure is based on information that already is being captured by many health care entities for various regulatory or other management purposes.

We agree that many entities are currently capturing information necessary to provide the proposed disclosures. However, health care entities within the scope of FASB Accounting Standards Codification™ ASC 954 include clinics, medical group practices, individual practice associations, individual practitioners, emergency care facilities, laboratories, surgery centers and other ambulatory care entities, continuing care retirement communities, health maintenance organizations, home health agencies, hospitals, nursing homes, and rehabilitation facilities. These differences could significantly affect the nature of information captured for regulatory or management purposes. For example, hospitals are currently required to provide certain information on charity care with their IRS Form 990 filings, but other types of health care entities are not subject to the same requirement. The cost and effort required to implement the proposed requirement could also be affected by factors such as an entity's size, its access to resources, and the sophistication of its accounting systems and staff.

Because of the wide variety of entities within the scope of the proposed requirement, it may not be reasonable to assume that none would incur additional costs that would be significant to the affected entity. We question whether the proposed elimination of other currently acceptable measures for charity care disclosures would be cost-justified for all of the entities within the scope of the proposed ASU.

**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?**

We do not believe that the average rate collected from paying patients would be a better measure of charity care than the cost to provide the care. The average rate collected is not solely a measure of services provided, but also reflects an entity's billing and collection policies and procedures. We do not believe that a measure of the effectiveness of an entity's billing and collection activities would be a good proxy for using either cost or fair value to measure charity care provided.

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

No, we do not support retrospective application of the proposed guidance. For reasons indicated in our response to Question 1, we are concerned that requiring retrospective

application of the guidance would further increase the cost and effort to comply with the proposal for some entities that might incur significant costs even for prospective application.

**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.**

Please see our response to Question 1.

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

If the FASB decides to adopt the proposed guidance, we suggest that the guidance become effective for fiscal years beginning at least six months after the final ASU is issued to allow adequate time for implementation by all affected entities.

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We would be pleased to discuss our comments with you. If you have any questions, please contact L. Charles Evans, partner, Accounting Principles Consulting Group, at 832.476.3614 or Ann McIntosh, senior manager, Accounting Principles Consulting Group, at 612.677.5257.

Sincerely,

/s/ Grant Thornton LLP