September 28, 2010

Technical Director
File Reference No. EITF100F

Re: Exposure Draft of Health Care Entities (Topic 954)-Accounting for Legal Costs Associated with Medical Malpractice and Similar Claims

Comments submitted by: Accounting and Auditing Standards Committee—Society of Louisiana Certified Public Accountants

We would like to offer two specific comments on the proposed standard which is listed in the following section.

Specific Comment No. 1

I do feel that it is more reasonable to allow health care entities to make an accounting policy election to determine whether to accrue or expense as incurred legal fees associated with malpractice claims. I do not believe that there should be different treatment for the legal costs whether it is internally or external costs. I believe that it is more practical to treat these costs as the same.

Additionally, I do agree that the amendment should be applied retrospectively to allow entities to correct preliminary estimates of these costs; however, I would assume these estimates were based on a formula which could be embedded in the accounting software of the clients. Therefore, I feel that the entities should be allowed some time to modify their systems. Again, not knowing all the items that play a role in the estimate, I feel that two years from the date of the final draft to allow entities to change their systems/calculations would be a reasonable timeframe.

Specific Comment No. 2

Although I may not be in complete agreement with the resulting accounting policy election, I do not have any objections to bringing the accounting standards for health care entities into agreement with the accounting standards for all other entities.

As for as the fees to be paid by pharmaceutical manufacturers under the recent healthcare acts, I think that the accounting method proposed seems reasonable. I am uncertain as to why this proposed Update does not extend to other fees required by the acts that have similar characteristics, however. I would be in favor of consistency in treatment of all similar fees.
Sincerely,

Barbara A. Watts, Chairman
Society of Louisiana CPAs Accounting and Auditing Standards Committee