November 4, 2010

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

RE: Proposed Accounting Standards Update, Disclosure about Net Revenue and Allowance for Doubtful Accounts (File Reference No. EITF090H)

Dear FASB Technical Director,

The Cleveland Clinic Foundation (CCF) is pleased to respond to the Exposure Draft (ED) Disclosure about Net Revenue and Allowance for Doubtful Accounts. Our responses to the specific questions for respondents are set out below.

CCF, located in Cleveland, Ohio, is a not-for-profit multispecialty academic medical center that integrates clinical and hospital care with research and education. CCF was founded in 1921 by four renowned physicians with a vision of providing outstanding patient care based upon the principles of cooperation, compassion and innovation. U.S. News & World Report consistently names CCF as one of the nation’s best hospitals in its annual “America's Best Hospitals” survey. About 2,000 full-time salaried physicians and researchers and 7,600 nurses at CCF represent more than 100 medical specialties and subspecialties. In addition to its main campus, Cleveland Clinic operates nine regional hospitals in Northeast Ohio, Cleveland Clinic Florida, the Lou Ruvo Center for Brain Health in Las Vegas and Cleveland Clinic Canada. In 2009, CCF and its affiliated hospitals incurred more than 170,000 inpatient admissions and more than 179,000 surgeries. For the year ended December 31, 2009, CCF generated revenues of $5.589 billion and net operating income of $359.4 million. Patients came for treatment from every state and from more than 80 countries.

**Question 1:** Do you agree that the proposed disclosures would allow users of the financial statements to better understand and assess the net revenue recognized by a health care entity and changes in its allowance for doubtful accounts? Why or why not? If not, what changes would you suggest to the proposed amendments?

CCF supports the Board’s objective to provide financial statement users with greater transparency about a health care entity’s net revenue and allowance for doubtful accounts. CCF feels that this objective has already been met by the currently required guidance and disclosures provided by our organization. The current required disclosures enable the users to properly understand the organization’s risks.

CCF does not agree that a tabular reconciliation of the activity in the allowance for doubtful accounts, by major payor source, provides any additional meaningful disclosure because the
provision for doubtful accounts relates entirely to self-pay receivables. Therefore, disclosures relating to other payor sources are not relevant.

The CCF financial statements are comprised of two uncompensated care components: bad debts related to self-pay and charity care. Bad debts, which relates to the self-pay portion of uncompensated care is reported below net revenue, as the provision for the allowance for doubtful accounts. CCF feels that it would be more meaningful to include the provision for the allowance for doubtful accounts as a revenue deduction in the income statement. By reporting the provision for the allowance for doubtful accounts as a reduction of net revenue, all four uncompensated care components would be included in the same reporting line. Thus, the financial statement reader would have a more comparable and informative presentation of net revenue.

**Question 2:** The Task Force considered requiring disclosure of net revenue by type of service (that is, emergency care, elective services, and so forth). Do you believe that disclosure would be more useful than the proposal to provide disclosure by major payor type? Why?

CCF does not agree with requiring disclosure of net revenue by type of service. CCF's information technology systems accumulate information by major payor type, but these systems are currently not designed to accumulate and report net revenue by type of service. Our organization provides approximately 100 medical specialties and subspecialties. To reconfigure the accounting systems to report in this manner poses a significant financial and time-consuming undertaking to our organization and others.

In addition to the high cost of conversion, the definition of a type of service could be significantly different across health care organizations. The lack of a standardized definition of a service line could negate the objective of improving transparency about a health care entity's net revenue. Comparability could be an issue for the financial statement reader given the complexity of a multi-specialty hospital.

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

No, CCF does not agree that the amendments in this proposed Update should be applied retrospectively. CCF feels that the information already being disclosed in the financial statements is sufficient for the reader to assess the organizations' risks and the cost of conversion is too significant to justify any perceived benefit.

**Question 4:** Do you anticipate the need for significant changes in the accounting systems or information gathering to implement the proposed amendments?

CCF is one of the first not-for-profit hospitals to issue a management report on the effectiveness of internal controls over financial reporting. This voluntary initiative for a not-for-profit organization meets the highest financial reporting standards, helps reduce errors and controls costs, and allows CCF to improve efficiencies and continue to provide high-quality healthcare at a lower cost.

If the proposed amendment is adopted, CCF would require significant changes in our accounting systems and information gathering to implement the proposed adjustments. A change in reporting would require our organization to:

- Engage management for sponsorship and project resources

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Tel 216 445-8990
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- Engage outside auditors to review proposed changes in areas that are impacted by the new reporting
- Educate all stakeholders
- Manage change in our staff, processes and technology

CCF takes pride in producing high quality financial statements. A change in reporting requirements would be a significant undertaking for our organization without providing realizable benefits.

**Question 5: How much time do you believe would be necessary to efficiently implement the proposed amendments?**

Our organization has effective controls that ensure the financial statements are of the highest quality. A change in financial statement reporting would require changes to our processes and technology which would result in additional time and expense incurred to appropriately train personnel and modify our existing patient accounting systems, general ledger and other financial and revenue reporting modules. The cost to our organization would be significant and in our opinion, does not create any additional benefit to the financial statement user.

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very Truly Yours,

Michael P. Harrington
Controller/Chief Accounting Officer