November 5, 2010

Via E-mail: director@fasb.org

Financial Accounting Standards Board
Technical Director
File Reference No. EITF090H
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: FASB Exposure Draft, Health Care Entities (Topic 954)
   Disclosure about Net Revenue and Allowance for Doubtful Accounts

Dear Director:

BDO USA, LLP welcomes this opportunity to comment on the Financial Accounting Standards Board’s (The “Board”) Exposure Draft, Health Care Entities (Topic 954), Disclosure about Net Revenue and Allowance for Doubtful Accounts (the “proposed standard.”) Overall, we support the Board’s objective in addressing this topic and providing an interim step of enhanced disclosure rather than changing revenue recognition practice twice.

In regards to the questions listed in the Exposure draft:

1. We agree that the proposed disclosures would allow users of financial statements to better understand and assess the net revenue recognized by a health care entity and changes in its allowance for doubtful accounts. The enhanced disclosures will provide useful information regarding the level of net revenues and related bad debt expense and reserves by major payor source and better allow a financial statement user to assess risk in the health care entity.

2. We believe that the primary risk factors in regards to revenue and collections in a health care entity revolve around the payor type as opposed to the type of service. As such, we agree that disclosure by major payor type is more useful than disclosure by type of service.

3. In general, retrospective application of any new standard would add comparability to the financial statements across periods and, absent significant cost and effort to produce, would normally be the preferred method. We believe that many health care entities could readily produce the disclosures required by this proposed Update. Accordingly, we believe that the cost and effort to produce the retrospective disclosures is generally not prohibitive and such retrospective disclosure should be required. However, it is possible that some health care entities have not historically
tracked its provision for bad debts and/or other adjustments from gross revenues to net revenues by its major payor sources. Accordingly, if allocations are required to provide the retrospective disclosures for some companies, those companies should also describe that allocation method.

4. Based on our experience providing assurance and tax services to health care entities, we do not anticipate the need for significant changes in the accounting systems or information gathering to implement the proposed Update. As described above, we recognize that some health care entities may not yet routinely track its provision for bad debts and/or other adjustments from gross revenues to net revenues by its major payor sources, but we do not believe that gathering such information going forward would require extensive system or procedural changes.

5. For the reasons described above in our responses to questions 3 and 4, we believe that implementation of the proposed Update will not require an extended period. Perhaps, an implementation date of years beginning after six months after the final Update would be adequate.

Additionally, we encourage further guidance be provided on determining the major payor source categories to foster more consistent categorization across the industry. For example, health care entities may categorize managed care revenues and commercial insurance revenues differently. A possible resolution that would promote high consistency is to require classifications of Governmental, Other Third Parties and Self-Pay.

We appreciate your consideration of our comments and suggestions, and would be pleased to discuss these with you at your convenience. Please direct any questions to Lee Graul, National Director of Accounting at 312-616-4667 or Steven Shill, Health Care Practice Leader at 714-668-7370.

Very truly yours,
BDO USA, LLP

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