Dear FASB Technical Director,

As a student at Woodbury University, I am pleased to express my thoughts on the Financial Accounting Standard Board’s, Health Care Entities (Topic 954), Presentation and Disclosure of Net Revenue, Provision for bad debts and the Allowance for Doubtful Accounts (a consensus of the FASB Emerging Issues Task Force). As an accounting student, I am pleased to provide feedback on the FASB’s proposed changes to the presentation and disclosure of net revenue, provision for bad debts, and the allowance for doubtful accounts under the exposure draft. Health care is composed with many different organizations, such as governmental or non-
governmental, non-profit or for-profit. They are all linked to each other in one way or another and will be affected to the proposed change in health care.

**Question 1: The amendments in this proposed Update would require a health care entity to change the presentation of its statement of operations by reclassifying the provision for bad debts from an operating expense to a reduction from revenue (net of contractual allowance and discounts). Do you agree with this conclusion? Why or why not?**

I agree with the conclusion and presentation outline in amendment subtopic 954-605 Health Care Entities-Revenue Recognition. The recognition stated “The provision for contractual adjustments (that is, the difference between established rates and third-party pay or payments) and discounts (that is, the difference between established rates and the amounts collectable billable) are recognized on an accrual basis. These amounts, along with the provision for bad debts, are deducted from gross service revenue to determine net service revenue.” I believe this presentation is well aware with how charity care and other care discounts are being treated. If all patients are required to provide mandatory financial information to determine if they meet the requirements of charity care, then many of the patients that are on charity care now might not be eligible. There is that possibility for parents that are not on the charity care program that are eligible to qualify.

**Question 2: The Task Force consensus described in this proposed Update was reached in the context of discussing paragraph 954-605-25-3 relating to patient fee-for-service revenue (that is, revenue earned in transactions in which services provided are billed to patients or third-party payers). This was the issue that was initially raised to the Task Force for consideration. However, the final consensus was not limited to only patient service revenue. Accordingly, please answer the following questions relating to the scope of proposed guidance:**

Jessica Godinez
1. Should the requirements of the proposed amendments be applicable to all revenue that is accounted for under Topic 954 (that is, patient service revenue, premium revenue, and residential service revenue)?

I would say all the requirements of the proposed amendments are applicable to all revenue that is accounted for under Topic 954 because if the revenue accounted under Topic 954 was changed it would cause complications and there is a possibility it would not add value to the financial statements.

2. If the answer to 2 (a) is no, what types of revenue should the proposed amendments apply to (for example, should the requirements of the proposed amendments be limited only to patient and resident service revenue)?

Based on my response to question 1, question 2 does not apply to me.

3. Some diversified entities provide health care services as well as significant non-patient related products (such as pharmaceutical products) or services (such as billing and staffing, clinical information or education services). For such entities, should the requirements of the proposed amendments apply to all activities of the entity or only apply to the health care service revenue that is accounted for under Topic 954?

I do not believe all entities of the proposed amendments apply to all activities of the entity because it should only be accounted under Topic 954. Bad debts relate and non-patient related revenue should be recorded as an operating expense.

**Question 3:** Do you anticipate the need for significant changes in the accounting systems or information gathering to implement the proposed amendments? If yes, please specify the aspect(s) of the proposal that would cause the significant change (for example, a specific disclosure or part of a disclosure requirement).
Based on the information, I believe there will not be major changes in the accounting systems or information gathering. Certain entities may require a few changes to the accounting systems and information gathering in order to apply the proposed amendment. However, most health care industries already have programs that will automatically update bad debts from operating expenses.

**Question 4: How much time do you believe would be necessary to efficiently implement the proposed amendments?**

I believe the change will be effective a minimum of twelve months depending on the final approval. The health care industry should take the time to educate themselves on the areas this proposal will change.

In conclusion I believe this change will improve operating expenses to health care and provide more precise financial information when reporting entities. Once again I would like to thank you for the opportunity to comment on the Health Care Entities (Topic 954), Presentation and Disclosure of Net Revenue, Provision for bad debts and the Allowance for Doubtful Accounts (a consensus of the FASB Emerging Issues Task Force).

Sincerely,

Jessica Godinez