

Measuring Charity Care for Disclosure

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The following are my comments on the questions raised by the Board related to consistent recording of Charity Care of health care entities.

Question 1: Do you agree that an entity's disclosure of a measure charity care should be based on the direct and indirect costs of providing the charity care?

We have in the health care industry a pervasiveness to present what we do for the communities we serve and beneficiaries of those services at a less than market value. An individual who donates stock to a not-for profit, does he claim what he is giving up at cost. No, a tax deduction is taken for the market value on the date given. What we give to the community should be at charges. The response is no one pays gross charges so why reflect charity at gross. This is not the Board's issue; you see a need for consistent reporting, then why not require charges? The Board is raising the issues since HFMA published a recommendation on the reporting of Charity Care and wants to take a similar path.

Question 2: If not cost what about an average rate?

See comments to question one.

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

To have meaning, if a change is to have any consistency, it does need to be applied to all years in which current data is being compared and reported against prior years.

Question 4: Do you anticipate that there would be significant changes in the accounting systems or information gathering to implement the provisions of the proposed Update?

Yes, all reporting and tracking of a patient service's are based on gross charges with systems that then calculate contractual adjustments based on contractual known rates of payment. To report charity at costs would be less than realistic as only averages could be applied. How is this concept of average costing any more accurate and consistent than using gross charges which have a drastic variance in the creation? The only purpose to not use gross charges is to diminish the market value of what the institution is giving to the community.

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

The time and resources needed to install a proper costing module to be able to compute costs on charity services provided are roughly estimated at \$400,000 plus. The Medicare concept is developed around one payer and follows rules governed by the payer.