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To: Director - FASB
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Measuring Charity Care for Disclosure
File Reference No. EITF090L
Comments on Proposed Accounting Standards Update

I appreciate the opportunity to provide my comments regarding the above-referenced proposal. I have addressed the five questions posed in the Exposure Draft, and have no other comments at this point.

Question 1: I agree with the Board's proposal to base the measure of charity care on the direct and indirect cost of providing the charity care. This is a measure that virtually all health entities have available and use in their internal reporting. The level of sophistication used to calculate cost may vary. Entities without product costing systems may employ an overall ratio of (Total Operating Expense) ÷ (Total Patient Service Charges) applied to charity care charges. Actually, this might be a good universal recommendation. If the health entity uses a sliding scale based on household income to determine charity care discounts, and attempts to calculate the cost of charity care based on the cost of each case and the related charges, the determination of cost would have to be done on a case-by-case basis, and then aggregated for the financial statement reporting. This could add some significant calculation and reporting requirements to the monthly financial statement close, without a significant benefit in terms of overall accuracy.

Question 2: I am opposed to the suggestion that charity care be measured using the average rate collected from paying patients for similar services. This concept would be extremely difficult to apply because this would require the identification of cases with "similar services" (always a challenge) and all cases identified would have to be used to calculate an "average payment", which can very significantly from case-to-case depending on the third-party payer. Again, every case that contained a charity care adjustment (in whole or based on a sliding scale) would have to be treated individually, a set of comparable cases identified, and an average payment-to-charge ratio calculated, which could then be applied to the charity care charges written off on a case to determine the amount to book in the financials. This will lead to significant inconsistencies resulting from changes in payer mix of comparable cases and the methodologies used by individual entities to determine cases with "similar services". The analytical time and resources required to accomplish this, and to audit it, would be significant.

Question 3: I am in agreement that the amendments in the proposed update should be applied retrospectively, as long as the recommended calculation is done using aggregate financial statement ratios, as suggested in my response to Question 1 above, and as long as there no legal issues resulting from charity care amounts already filed with the IRS on form 990 or other similar disclosures.

Question 4: I do not anticipate any significant changes in accounting systems or in information gathered as long as the final recommendations made by the Board can be implemented without requiring a case-by-case determination of either the cost or the average payment amounts to be used to identify the charity care amount for financial statement

reporting purposes. Again, I believe that an adequate cost determination can be make by using the following equation:
Equation for Determining Cost of Charity Care:

(Charity Care Charges Written Off) x (Total Operating Expense) ÷ (Total Patient Charges)

Question 5: If the recommendations made by the Board do not require significant analytical efforts, then the time required to implement the recommendations will be minimal. If the equation above is used, the only significant time involved would be to identify the actual charity care charges written off. Most entities already have this information. If a case-by-case determination of the amounts is needed, time requirements could be significant. Large health systems, such as the Detroit Medical Center, have 75,000 outpatient and emergency encounters and 6,500 inpatient discharges EACH MONTH. Aggregating these into groups with "similar services" or identifying cost associated with sliding scale charity care write-offs would be a daunting task.

I appreciate the opportunity to comment on this proposal, and am available to answer any questions or elaborate on any of my comments, should that be useful to the Board in finalizing and implementing this proposed update.

Thanks,

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