HCA

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Hospital Corporation of America

November 2, 2010

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

File Reference No. EITF090H
RE: Proposed Accounting Standards Update, Health Care Entities (Topic 954), disclosures about Net Revenue and Allowance for Doubtful Accounts (a consensus of the EITF)

Dear FASB Technical Director:

HCA Inc. (HCA) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB's) Proposed Accounting Standards Update, Health Care Entities (Topic 954), Disclosure about Net Revenue and Allowance for Doubtful Accounts (a consensus of the EITF).

HCA is the largest non-governmental hospital operator in the U.S. and a leading provider of health care and related services. As of September 30, 2010, we operated a portfolio of 162 hospitals (with approximately 41,000 beds) and 104 freestanding surgery centers across 20 states throughout the U.S. and in England. For the year ended December 31, 2009, we generated revenues of $30.052 billion and net income attributable to HCA Inc. of $1.054 billion.

Comments on Issue No. 09-H

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?*

HCA believes general disclosures (as outlined in 954-310-50-3-a) regarding the effect of our assessment of collectibility on the recording of revenues and bad debt expense, which we currently provide, are beneficial to users of the financial statements.

We do not believe a tabular reconciliation of the allowance for doubtful accounts, by major payor source, provides any additional meaningful disclosure because the provision for doubtful accounts relates almost totally to self-pay receivables, which we currently disclose. The example disclosure outlined in 954-310-55-1 and 954-310-55-2 for HCA for the year ended December 31, 2009 would be as follows (dollars in millions):

Allowance for Doubtful Accounts	Third-Party Payors	Self-Pay	Total
Balances at beginning of the period	$ -	$ 4,741	$ 4,741
Provision for doubtful accounts	15	3,261	3,276
Writeoffs, net of recoveries	-	(3,157)	(3,157)
Balances at end of the period	$ 15	$ 4,845	$ 4,860

HCA believes an alternative that would be more informative and offer a better presentation for health care entity financial statement users would be to address the strong similarities underlying the provision for doubtful accounts, uninsured discounts and charity care by accounting for all three consistently, as revenue deductions in the income statement. We believe the best income statement presentation would be to treat the three components of uncompensated care as direct revenue deductions, with no separate line items being presented on the face of the income statement for any of the three uncompensated care components.

Each of the three components of uncompensated care relate primarily to uninsured amounts due from patients receiving health care services. Each of these items is recorded based upon the health care entity's gross charges, which are generally, significantly in excess of the entity's costs of providing the health care services. The current inconsistency of accounting for two of these items (charity care and uninsured discounts) as revenue deductions and the third item (provision for doubtful accounts) as an operating expense leads to inconsistencies in the reporting of results of operations of health care entities, which leads to difficulties in comparing results of operations among health care entities and is a source of confusion to investors and users of the financial statements.

The following table presents actual information for HCA for the years ended December 31, 2009, 2008, and 2007 and for the six months ended June 30, 2010 (dollars in millions):

	Six Months Ended June 30,		Years Ended December 31,					
	2010	%	2009	%	2008	%	2007	%
Provision for doubtful accounts	$ 1,352	29	$ 3,276	39	$ 3,409	49	$ 3,130	51
Uninsured discounts	2,107	46	2,935	35	1,853	26	1,474	24
Charity care	1,144	25	2,151	26	1,747	25	1,530	25
Total uncompensated care	$ 4,603	100	$ 8,362	100	$ 7,009	100	$ 6,134	100
Gross patient service charges	$ 61,785		$115,682		$102,843		$ 92,429	
Patient care costs (salaries and benefits, supplies, other operating expenses and depreciation)	11,737		22,975		22,030		20,768	
Cost-to-charges ratio	19.00	%	19.86	%	21.42	%	22.47	%
Estimated cost of total uncompensated care	$ 875		$ 1,661		$ 1,501		$ 1,378	

You can note from our trends on the three components of uncompensated care that our decision to increase our uninsured discounts during 2009 has resulted in the provision for doubtful accounts declining from 51% of total uncompensated care for the year ended 2007 to 29% of total uncompensated care for the six months ended June 30, 2010, and uninsured discounts have increased from 24% of total uncompensated care for the year ended 2007 to 46% of total uncompensated care for the six months ended June 30, 2010.

The majority of our uninsured patient volume originates through the emergency departments in our hospital facilities. Hospital facilities participating in the Medicare program are required to conduct an appropriate medical screening examination of every person who presents to the emergency department and, if the individual is suffering from an emergency medical condition, to either stabilize the condition or make an appropriate transfer of the individual to a facility able to handle the condition, regardless of their ability to pay for the healthcare service provided. We are not making a credit decision on some of these patients and failing to make a credit decision on others; we aren't making a credit decision on any of these individuals who present to our emergency departments.

We believe a more consistent and comparable presentation would be attained if all health care entities would account for the three uncompensated care adjustments consistently, as revenue adjustments. They each relate to the same general patient group (the uninsured and underinsured), they are each based upon each entity's gross charges (which significantly exceed the entity's costs) and there is little underlying differentiation among the three adjustments. The patient receiving charity care may have more financial resources than an uninsured patient who doesn't receive the qualification for charity care, simply because such patient will not provide us the financial information to determine whether they meet our guidelines to qualify for charity care.

We believe the inconsistencies among health care entities in both their setting of gross charges (gross charges can vary significantly among health care entities) and their policies for determining charity care, uninsured discounts and the provision for doubtful accounts lead to investor and financial statement user confusion in trying to determine the inflated impact on reported revenues, the inflated impact on the provision for doubtful accounts (this operating expense is generally recorded as a multiple of the underlying costs since it is based on gross charges) and the estimated cost of total uncompensated care. These inconsistencies present difficulties to investors and financial statement users when they attempt to compare revenues and uncompensated care from period-to-period for particular health care entities and for comparisons among health care entities.

We believe the reclassification of the provision for doubtful accounts from operating expense to a revenue deduction (without separate line item presentation of the provision for doubtful accounts as a revenue deduction) would significantly help investors and financial statement users by eliminating these inconsistencies. This would be an easy change to implement both prospectively and retrospectively and would improve the consistency of operating results from period-to-period for each health care entity and comparability of operating results among health care entities.

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?*

No. HCA does not, and our systems are not currently designed to, accumulate and report net revenues by service type. Our systems are designed to accumulate and report net revenues only by primary payor type (Medicare, Managed Medicare, Medicaid, Managed Medicaid, Managed care and other insurers, and Uninsured). A patient could receive emergency care, laboratory tests, diagnostic tests, be admitted and have surgery procedures, receive various general and surgical supplies, and receive pharmacy items during a single health care entity occurrence and the revenues for all these different services would be accumulated and revenue recorded based upon the primary payor (Medicare, Medicaid, Managed care and other insurers and Uninsured) not on the type of service basis. The benefits of this proposed disclosure would not outweigh the additional significant time and costs that would be incurred by health care entities to provide the proposed disclosure.

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

No. HCA believes the proposed disclosure information is either already being made, is not material to users of the financial statements or the information is not currently available. We don't believe the possible benefits would justify the additional significant time and costs that would be incurred to provide retrospective disclosures.

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

Yes, if the proposed amendments would require the segregation of revenues related to the coinsurance and/or deductible portions of insured patients or segregation of revenues by type of service. HCA's patient accounting systems do not currently identify revenues related to coinsurance and/or deductible portions of insured accounts until after receipt of payment from Medicare or the managed care insurer and these revenues are usually combined by the primary payor type in our general ledger accounts (both components, the payment from the insurer and the patient responsibility amounts, are recorded as Medicare or managed care revenue, however we do identify the accounts receivable amounts between the insurer and the patient). Changes to our patient accounting systems would be required to segregate coinsurance and deductible revenues and the implementation of the required system changes would be difficult, costly and time consuming. These changes would be more difficult, costly and time consuming to implement for prior periods (retrospective basis).

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

To implement changes to our patient accounting systems, interfaces with our general ledger and changes to existing custom designed revenue and accounts receivable reports would require thousands of hours, significant costs (in the millions of dollars) and disruptions to our routine processes. We strongly disagree that adding additional disclosure as an interim step, until the joint revenue recognition project is complete, adds value to the users of financial information that is commensurate with and justifies the significant time and costs that would be incurred.

However, we believe the alternative of simply reclassifying the presentation of the provision for doubtful accounts from an operating expense to a revenue deduction would:

1. Improve the consistency of the reporting of revenues, operating expenses and overall results of operations for each health care entity.
2. Improve the comparability of revenues, operating expenses and results of operations among health care entities.
3. Eliminate a current source of confusion for investors and financial statement users and allow them to benefit from the improvements in consistent application and comparability.
4. Eliminate the need for health care entities to provide non-GAAP operations statements to address the current inconsistencies and comparability concerns related to revenues and the components of uncompensated care. See "Attachment 1" which provides examples of our non-GAAP disclosures from our June 30, 2010 Form 10-Q and our June 30, 2010 internal reporting package.
5. Provide a presentation of net revenues that appears to be in line with the guidelines of the joint revenue recognition project.
6. Be easy to implement prospectively and retrospectively; no system changes would be required and therefore minimal costs and additional time would be required.

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Thank you for the opportunity to comment. I am available to provide additional comments, or meet with you or members of your board to discuss this matter further. If I can provide additional material or perspective on this issue, please contact me at (615) 344-5900 or by email at don.street@hcahealthcare.com.

Don Street

Don Street
Vice President & Chief Accounting Officer
HCA Inc.

ATTACHMENT 1

To HCA Comment Letter
File Reference No. EITF090H

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations (continued)

Operating Results Summary (continued)

Supplemental Non-GAAP Disclosures
Operating Measures on a Cash Revenues Basis
(Dollars in millions)

The results from operations presented on a cash revenues basis for the quarters and six months ended June 30, 2010 and 2009 follow:

	Quarter					
	2010			2009		
	Amount	Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)	Amount	Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)
Revenues	$7,756		100.0	$7,483		100.0
Provision for doubtful accounts	788			866		
Cash revenues(a)	6,968	100.0		6,617	100.0	
Salaries and benefits	3,076	44.1	39.6	2,944	44.5	39.3
Supplies	1,251	17.9	16.1	1,211	18.3	16.2
Other operating expenses	1,226	17.7	15.9	1,124	17.0	15.0
% changes from prior year:						
Revenues	3.7%					
Cash revenues	5.3					
Revenue per equivalent admission	2.3					
Cash revenue per equivalent admission	4.0					

	Six Months					
	2010			2009		
	Amount	Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)	Amount	Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)
Revenues	$15,300		100.0	$14,914		100.0
Provision for doubtful accounts	1,352			1,673		
Cash revenues(a)	13,948	100.0		13,241	100.0	
Salaries and benefits	6,148	44.1	40.2	5.867	44.3	39.3
Supplies	2,451	17.6	16.0	2,421	18.3	16.2
Other operating expenses	2,428	17.3	15.9	2,226	16.8	15.1
% changes from prior year:						
Revenues	2.6%					
Cash revenues	5.3					
Revenue per equivalent admission	1.5					
Cash revenue per equivalent admission	4.2					

(a) Cash revenues is defined as reported revenues less the provision for doubtful accounts. We use cash revenues as an analytical indicator for purposes of assessing the effect of uninsured patient volumes, adjusted for the effect of both the revenue deductions related to uninsured accounts (charity care and uninsured discounts) and the provision for doubtful accounts (which relates primarily to uninsured accounts), on our revenues and certain operating expenses, as a percentage of cash revenues. Variations in the revenue deductions related to uninsured accounts generally have the inverse effect on the provision for doubtful accounts. We increased our uninsured discount percentages during August 2009 and the resulting effects, for the second quarter and first six months of 2010, were an increase in uninsured discounts of $467 million and $885 million, respectively, and a decline in the provision for doubtful accounts of $78 million and $321 million, respectively, compared to the same periods for 2009. Cash revenues is commonly used as an analytical indicator within the health care industry. Cash revenues should not be considered as a measure of financial performance under generally accepted accounting principles. Because cash revenues is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, cash revenues, as presented, may not be comparable to other similarly titled measures of other health care companies.

(b) Salaries and benefits, supplies and other operating expenses, as a percentage of cash revenues (a non-GAAP financial measure), present the impact on these ratios due to the adjustment of deducting the provision for doubtful accounts from reported revenues and results in these ratios being non-GAAP financial measures. We believe these non-GAAP financial measures are useful to investors to provide disclosures of our results of operations on the same basis as that used by management. Management uses this information to compare certain operating expense categories as a percentage of cash revenues. Management finds this information useful to evaluate certain expense category trends without the influence of whether adjustments related to revenues for uninsured accounts are recorded as revenue adjustments (charity care and uninsured discounts) or operating expenses (provision for doubtful accounts), and thus the expense category trends are generally analyzed as a percentage of cash revenues. These non-GAAP financial measures should not be considered alternatives to GAAP financial measures. We believe this supplemental information provides management and the users of our financial statements with useful information for period-to-period comparisons. Investors are encouraged to use GAAP measures when evaluating our overall financial performance.

HCA

Hospital Corporation of America

Monthly Review

June - 2010

HCA Inc.
Consolidated Financial Performance
June 2010 - Second Quarter
(Dollars in millions)

	2010		2009		Prior Year Variance	
	Amount	**Ratio**	Amount	Ratio	Amount	% change
Revenues	**$7,756**		$7,483		$273	3.7
Provision for doubtful accounts	**788**		866		(78)	(9.1)
Cash revenues	**6,968**	**100.0 %**	6,617	100.0 %	351	5.3
Salaries and benefits	**3,076**	**44.1**	2,944	44.5	132	4.4
Supplies	**1,251**	**17.9**	1,211	18.3	40	3.3
Other operating expenses	**1,226**	**17.7**	1,124	17.0	102	9.3
Equity in earnings of affiliates	**(75)**	**(1.1)**	(61)	(0.9)	(14)	22.5
	5,478	**78.6**	5,218	78.9	260	5.0
EBITDA (reported)	**1,490**	**21.4**	1,399	21.1	91	6.5
Noncash share-based compensation	**8**	**0.1**	7	0.1	1	13.0
EBITDA (adjusted)	**$1,498**	**21.5**	$1,406	21.2	$92	6.6
Capital expenditures	**$322**	**4.6**	$282	4.2	$40	14.2
EBITDA (adjusted) less CAPEX	**$1,176**	**16.9**	$1,124	17.0	$52	4.7
Depreciation and amortization	**$355**	**5.1**	$360	5.4	($5)	(1.3)
EBIT (adjusted)	**$1,143**	**16.4**	$1,046	15.8	$97	9.3
Equivalent admissions	**617,900**		609,900			1.3
Cash revenue per equivalent admission	**$ 11,279**		$ 10,849			4.0
Salaries and benefits per equivalent admission	**$ 4,977**		$ 4,828			3.1
Supplies per equivalent admission	**$ 2,024**		$ 1,985			2.0
Other operating expense per equivalent admission	**$ 1,987**		$ 1,843			7.8
Cash operating expense per equivalent admission	**$ 8,868**		$ 8,556			3.6

HCA Inc.
Consolidated Financial Performance
June 2010 - Year to Date
(Dollars in millions)

	2010		2009		Prior Year Variance	
	Amount	**Ratio**	Amount	Ratio	Amount	% change
Revenues	**$15,300**		$14,914		$386	2.6
Provision for doubtful accounts	**1,352**		1,673		(321)	(19.2)
Cash revenues	**13,948**	**100.0 %**	13,241	100.0 %	707	5.3
Salaries and benefits	**6,148**	**44.1**	5,867	44.3	281	4.8
Supplies	**2,451**	**17.6**	2,421	18.3	30	1.3
Other operating expenses	**2,428**	**17.3**	2,226	16.8	202	9.1
Equity in earnings of affiliates	**(143)**	**(1.0)**	(129)	(1.0)	(14)	11.1
	10,884	**78.0**	10,385	78.4	499	4.8
EBITDA (reported)	**3,064**	**22.0**	2,856	21.6	208	7.3
Noncash share-based compensation	**16**	**0.1**	14	0.1	2	12.7
EBITDA (adjusted)	**$3,080**	**22.1**	$2,870	21.7	$210	7.3
Capital expenditures	**$536**	**3.9**	$619	4.7	($83)	(13.4)
EBITDA (adjusted) less CAPEX	**$2,544**	**18.2**	$2,251	17.0	$293	13.0
Depreciation and amortization	**$710**	**5.1**	$713	5.4	($3)	(0.4)
EBIT (adjusted)	**$2,370**	**17.0**	$2,157	16.3	$213	9.8
Equivalent admissions	**1,233,400**		1,220,100			1.1
Cash revenue per equivalent admission	**$ 11,309**		$ 10,853			4.2
Salaries and benefits per equivalent admission	**$ 4,985**		$ 4,809			3.7
Supplies per equivalent admission	**$ 1,987**		$ 1,984			0.2
Other operating expense per equivalent admission	**$ 1,969**		$ 1,824			7.9
Cash operating expense per equivalent admission	**$ 8,825**		$ 8,512			3.7