



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

325 WEST COLLEGE AVENUE • P.O. BOX 5437 • TALLAHASSEE, FLORIDA 32314  
TELEPHONE (850) 224-2727 • FAX (850) 222-8190

January 27, 2011

Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Via e-mail: [director@fasb.org](mailto:director@fasb.org)

File Reference No. EITF100H

Re: Proposed Accounting Standards Update – Other Expenses (Topic 720)  
*Fees Paid to the Federal Government by Health Insurers*

Dear Sirs:

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (the “Committee”) has reviewed and discussed the above referenced Accounting Standards Update, including the five questions posed in the “Questions for Respondents,” and has the following comments related to the questions numbered below:

1. The Committee agrees that the amendments in this proposed Update should be consistent with the conclusions reached by the Task Force related to the fee to be paid by pharmaceutical manufacturers in accordance with the Acts. The Committee noted that these conclusions are consistent with current industry practice.
2. The Committee agrees with the conclusion that the liability for the fee be estimated and recorded once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. However, the Committee proposes to add a caveat that there is adequate disclosure of the relevant accounting policies and calculations. In addition, the Committee believes that the resulting deferred cost and liability should not be netted on the balance sheet and, that if this is done, the deferred cost and liability components should be disclosed in the notes to the financial statements. Finally, the Committee believes that the deferred cost allocation method also needs to be

clearly disclosed and, if other allocation methods are possible, these alternate methods should be addressed in this proposed Update.

3. The Committee agrees that the fee be classified as an operating expense in the income statement of health insurers in that this is a cost of doing business and not a return of premium, a policy acquisition cost, or even an income tax.
4. The Committee agrees that the fee does not meet the definition of an *acquisition cost* as amended by Update 2010-26.
5. The Committee believes that additional disclosures are necessary upon adoption of the amendments in this proposed Update. These additional disclosures consist of the components of the net liability and the basis for its calculation, along with the related accounting policies, as noted in the response to question # 2 above. The Committee believes that these additional disclosures will increase comparability and transparency in financial reporting of these arrangements.

The Committee appreciates this opportunity to respond to this Proposed Accounting Standards Update. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Steven Wm. Bierbrunner, CPA  
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

Steven Morrison, CPA  
Richard Edsall, CPA  
Julian Dozier, CPA