



TO: Financial Accounting Standards Board
FROM: Clarian Health
DATE: May 10, 2010
SUBJECT: Proposed Accounting Standards Update – Measuring Charity Care for Disclosure

Overview

The Financial Accounting Standards Board (“FASB”) is proposing in this Update to require charity care, for disclosure purposes, to be measured based on direct and indirect costs. This proposed Update would be applicable to any health care entity that provides charity care. The purpose of this Update is to enhance comparability as all entities will be utilizing the same measurement of charity care.

Below are questions asked by the FASB on this proposed Update and our responses.

Question 1: Do you agree that an entity’s disclosure of a measure of charity care should be based on the direct and indirect costs of providing the charity care? If not, why not? What alternative measure would you prefer and why?

The measure of charity care should not be based on the direct and indirect costs of providing charity care. Health care organizations do not consider the direct and indirect costs of providing care. The intent of this proposed Update is to enhance comparability. However, we believe that the identification of direct and indirect costs contributing to charity care could be highly subjective and vary substantially between different health care organizations, thus diminishing the comparability of the charity care disclosure between organizations. A more meaningful measure of charity care is to base the disclosures on the standard charges for services less payments received, if any. Standard charges are known and therefore there is less subjectivity than a judgmental cost allocation.

Question 2: The Task Force considered requiring a measure of charity care based on the average rate collected from paying patients for similar services. Do you believe that this measure would be more meaningful for financial statement users than the cost to provide charity care and if so, why? If not, why do you believe cost is more meaningful?

See response to question one. To determine the average rate collected for individual services will be very difficult and time consuming. It would be more meaningful for financial statement users to measure charity care on the standard rate charged to all patients. Using an average rate collected by service type from paying patients is dependent upon a hospital’s payor mix which can vary dramatically between organizations. Therefore using the average rate collected would be less meaningful.

Question 3: Do you agree that the amendments in the proposed Update should be applied retrospectively? If not, why not?

If this Update would become effective, it should be applied retrospectively so that the disclosure would be comparative to prior periods presented in the financial statements and footnotes.

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

There would be significant changes as Clarian Health currently measures charity care as the difference between standard charges for services rendered and the amount of payment, if any, which is received. An extensive analysis would have to be performed on what would be considered a direct cost and indirect cost of providing charity care. This analysis would further be compounded by the fact that Clarian Health prepares consolidated financial statements and includes several hospitals, physician groups, and ambulatory surgery centers, in which the analysis could vary between the different divisions.

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

At this time, it would be difficult to estimate the time needed to implement this Update. See response to question four.