

Health Care Entities Expert Panel Highlights of the August 14, 2019 Meeting



The Health Care Entities Expert Panel serves the needs of AICPA members on financial and business reporting and audit and attest matters. The expert panel protects the public interest by bringing together knowledgeable parties in the health care industry to deliberate and come to agreement on key issues.

(Refer to past meeting highlights on the [Health Care Expert Panel](#) page of the [AICPA website](#) for background information.)

I. Panel Projects

- 2019 Edition of the Health Care Guide. The Panel received an update on the status of the draft conforming changes to the 2019 edition of the AICPA Audit and Accounting Guide Health Care Entities (Health Care Guide), which is currently undergoing final clearance and is expected to be available by early November.
- 2019 Healthcare Industry Conference. The Panel received an update about the status of the conference program from the co-Chair of the Conference Planning Committee, and was requested to identify potential relevant topics for inclusion in Revenue Recognition session and the two-part Healthcare Accounting and Auditing Update session. The committee has secured speakers and panelists for various sessions in the technical track, and Panel members were reminded of a previous request to attend the conference, which is scheduled to be held November 6–8 in Coronado, CA.
- CCRC and Leases Subgroup. The Panel received an update about a preliminary subgroup discussion about whether there is a lease component in a continuing care retirement community (CCRC) contract and whether CCRCs might have to follow lease accounting when FASB Accounting Standards Update (ASU) No. 2016-02, Leases, becomes effective. The subgroup, which has been expanded to add subject matter experts on the leases topic, has agreed to convene a subsequent call in the next several weeks to discuss further.
- Revenue Recognition. The Panel continued discussing potential practice implementation considerations about the following items:
 - Provider tax programs
 - Risk sharing arrangements
- TQA Section 6400 Subgroup. The Panel received an update on the progress of a proposed second round of conforming changes to relevant nonauthoritative AICPA Technical Questions and Answers (TQAs) in Q&A section 6400, Health Care Entities, in AICPA Technical Questions and Answers. The proposed changes are separate from the finalized changes that primarily reflect the issuance of FASB ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which were reflected in AICPA Technical Questions and Answers in May. The AICPA Financial Reporting Executive Committee is reviewing the proposed changes.

II. Other Items

- Medicare DSH. The Panel participated in a discussion about the June 2019 [Supreme Court decision](#) that the Department of Health and Human Services (HHS) improperly changed its Medicare disproportionate-share hospital payments when it made billions of dollars in cuts, and that HHS needed a notice-and-comment period for the Medicare DSH calculation change. The Panel agreed to monitor the potential implications of this decision for possible continued discussion on a subsequent call.
- Revenue Recognition Terminology and CMS. The Panel received an update from the Panel Chair regarding the Panel's previous discussion about certain terminology changes that have been introduced with the implementation of FASB [ASU No. 2014-09, Revenue from Contracts with Customers \(Topic 606\)](#), and its related amendments, that create inconsistencies with legacy terminology still in use by regulators. For example, among other changes, the term "bad debt expense" has been replaced with "implicit price concession." As previously discussed, select Panel members have received inquiries from health care providers about this change in terminology and that their respective Medicare Administrative Contractors (MACs) for the Centers for Medicare and Medicaid Services (CMS) have indicated that they still expect to see terminology bad debt expense, which could result in denials for implicit price concession/bad debt recoveries.

Earlier this month, select members of the Panel and the Healthcare Financial Management Association (HFMA) Principles and Practices Board discussed these changes with, and encouraged, CMS to update their various documents and regulations for these terminology changes in order to avoid confusion in the marketplace, and also offered to participate in select educational sessions about the changes. The classification of Medicare/Medicaid crossover bad debt accounting was also discussed.

- Accounting for "Affiliation" Arrangements That Do Not Result in Control. The Panel participated in a preliminary discussion about scenarios of a finite-term arrangement between two organizations that do not result in one organization obtaining control of the other organization, but something tangible or intangible is provided and something else is received. The panel discussed the possible types of transactions and the accounting for these scenarios, as well as the current diversity in accounting for them.
- FASB ASU on Grants and Contracts. The Panel participated in a preliminary discussion about when clients are encouraged to adopt FASB [ASU No. 2018-08, Not-for-Profit Entities \(Topic 958\): Presentation of Financial Statements of Not-for-Profit Entities](#), when a not-for-profit entity is a recipient versus a resource provider. Because the adoption of the ASU is transaction based rather than entity based, a client can elect to adopt the ASU at different times.
- Enhancing Audit Quality Initiative and Risk Assessment. The AICPA launched the [Enhancing Audit Quality \(EAQ\)](#) initiative in 2014 to align all AICPA assurance-related activities and support firms as they work to improve the quality of their audits. One key focus area in 2019 is risk assessment and the Panel has been requested to review a general-awareness draft practice aid that is not intended to be all-inclusive of all of the potential risks of material misstatement.
- Panel members were reminded that the 2019-2020 volunteer year is scheduled to end in May 2020, upon the conclusion of the Spring meeting of Council of the AICPA. The application period for the 2020-2021 committee year is expected to be open through October 1 at <https://volunteers.aicpa.org/>.

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