Health Care Entities Expert Panel
Highlights of the June 3, 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. Administration

On behalf of the entire Panel, Norman Mosrie—Chair of the Panel, and Andy Mrakovcic—Staff Liaison to the Panel, welcomed to the in-person meeting the following incoming Panel members whose 2019–2020 committee year began in mid-May:

- Jay Adkisson (RSM US LLP)
- Doug Coffman (West Virginia University Health System)
- Kimberly McKay (BKD, LLP)
- Steven Shill (BDO USA, LLP)

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/.

II. FASB Update

The Panel received an update from Jeff Mechanick, FASB Assistant Technical Director – Nonpublic Entities, Rick Cole, FASB Supervising Project Manager, and several other members of the FASB staff about the status of select FASB projects and Emerging Issues Task Force issues. The primary focus of this discussion centered around the following:

- Not-for-Profit Financial Reporting
- Revenue Recognition
- Leases
- Public/Nonpublic Conversion
- Reference Rate Reform
- SEC Disclosures
- Grants and Contracts
- Private Company Issues
- Financial Performance Reporting, Restricted Cash, Accounting for Financial Instruments, and Other
- Balance Sheet Classification of Debt
- Goodwill and Intangibles Project

During the update, the Panel expressed particular interest in the following topics:
• **Revenue Recognition.** With the implementation of [FASB ASU No. 2014-09](https://www.fasb.org/revenue-recogn/), *Revenue from Contracts with Customers (Topic 606)*, and its related amendments, certain terminology changes have been introduced 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.” 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 the terminology bad debt expense, which could result in denials for implicit price concession/bad debt recoveries.

Similarly, the Panel discussed potential concerns related to how the IRS may respond to these terminology changes. The Panel agreed that it would be beneficial for those Panel members who are also Healthcare Financial Management Association (HFMA) Principles and Practices Board members to discuss this at its upcoming June meeting and consider educating CMS and the IRS about these changes.

• **Simplification of the Classification of Debt.** The Panel received an update about the most recent decisions reached regarding FASB [Proposed Accounting Standards Update (ASU)](https://www.fasb.org/proposed-standards-update), *Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*, which is expected to be re-exposed, in response to comments received, in the third quarter of 2019.

The Panel believes that this reproposed ASU could have significant negative implications for the health care industry, particularly regarding the FASB’s reaffirmation of its previous decision that an unused long-term financing arrangement in place at the balance sheet date should be disregarded in determining the classification of debt. FASB staff has indicated that the comment period might be limited to 45 days.

This proposed ASU could have significant negative consequences for providers that have variable rate bonds backed by long-term letters of credit, as it would result in current classification of the debt.

The Panel encouraged all Panel members to comment on the reproposed ASU through their respective firms and organizations. Additionally, follow-up discussions will be held with the HFMA P&P Board, about educating the greater health care community about the key issues in the exposure draft and encouraging others to respond, as well.

### III. Regulatory Update

The Panel participated in a discussion with Anna Grizzle – Member, Bass Berry and Sims. Following is an overview of the topics discussed:

• **Current State of Medicare**
  - 2018 Healthcare Spending
  - Projected Healthcare Spending
  - Shift to Medicare Advantage Plans
  - Affordable Care Act Uncertainty
  - Status of Medicaid Waivers
  - Examples of Approved Work Waivers

• **Continued Transition to Value Based Care**
  - Bipartisan Budget Act of 2018 § 2205 (P.L. 155–123)
  - Other 2019 Merit-Based Incentive Payment System (MIPS) Changes
  - MIPS Payment Adjustments and Scoring

• **Impact of Opioid Epidemic**
  - A Few Statistics and a Perspective
  - Opioid Overdoses Nationwide
  - Additional Impact
Federal Legislative Changes to Address Opioid Challenges

12-District Opioid Initiative

Medicare Fraud Strike Forces

Appalachian Regional Prescription Opioid Strike Force

Reimbursement and Regulatory Updates

Changes to Skilled Nursing Facility Medicare Payment and Implications

Proposed Changes to Address Wage Index Disparities

Medicaid Disproportionate Share Hospital (DSH) Litigation and Regulatory Update

Medicaid DSH Litigation Summary

Current State of Medicaid DSH and the Hospital-Specific Limit

Medicare Part C Days Litigation Update: Azar v. Allina Health Services

Enforcement Activity Update

Civil Fraud Recoveries

Number of New Qui Tam Lawsuits

2018 by the Numbers

Health Care Fraud Enforcement – 2018

Physician Remuneration

Tax Treatment for False Claim Act (FCA) Settlements

Government Contractor Audits

Focus on Unified Program Integrity Contractors (UPICs)

Medicare Appeals Backlog

IV. 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). The draft changes are expected to be sent to the Panel later this month for review. The Health Care Guide is scheduled to become available in 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 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 discussions between the subgroup Chair and select FASB staff 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 ASU No. 2016-02, Leases, becomes effective. The Panel agreed to expand the subgroup to add one or more subject matter experts on the leases topic. The subgroup then expects to convene a 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**
- **HFMA Principles and Practices Board Statement 15, Valuation and Financial Statement Presentation of Charity Care and Bad Debts by Institutional Healthcare Providers**

- **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 *Accounting Standards Update (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 Panel is reviewing the proposed changes.

- **Liaison Call With SEC OMS.** The Panel received an update about the annual Spring meeting with select representatives and staff of this Panel, the AICPA *State and Local Governments Expert Panel*, the AICPA *Not-for-Profit Entities Expert Panel*, and the U.S. Securities and Exchange Commission’s Office of Municipal Securities to provide a joint update on matters of mutual interest. All parties agreed that it would be mutually beneficial to try to hold an annual update meeting every year.

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