Health Care Entities Expert Panel

Highlights of the October 2, 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.** AICPA staff reported that the 2019 edition of the AICPA Audit and Accounting Guide *Health Care Entities* is expected to become available in the AICPA’s online professional literature in October and in paperback format in November.

• **2019 Healthcare Industry Conference.** The Panel was updated about the status of the upcoming conference and reminded of a previous request to indicate whether members intend to attend the conference, which is scheduled to be held November 6–8 in Coronado, CA.

• **FASB Not-for-Profit Advisory Committee (NAC) Update.** The Panel received an update from a Panel member about the NAC’s September meeting. Although the update was general in nature, the Panel
  
  o participated in a brief preliminary discussion about Topic 2, “Gifts-in-Kind (including Donated Pharmaceuticals).”

  o was informed of the NAC’s request for a health care representative to participate in a November 15 roundtable discussion on the FASB *Invitation to Comment Identifiable Intangible Assets and Subsequent Accounting for Goodwill*, whose comment period ends on October 7.

• **Simplification of the Classification of Debt.** The Panel received an update about the September 12 exposure of FASB *Proposed Accounting Standards Update (Revised) – Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*, with a 45-day comment period. As previously discussed, the Panel suggested that this revised proposed ASU could produce

  o significant negative implications for a sector of the health care industry that have utilized variable rate demand obligations (VRDOs) as a financing mechanism, particularly regarding the FASB’s reaffirmation of its previous decision that an unused long-term financing arrangement, such as letters of credit, in place at the balance sheet date should be disregarded in determining the classification of debt.

The Panel discussed specific areas for health care providers to consider commenting on the operational impact of VRDO debt issue and encouraging all Panel members to comment on the revised proposed ASU through their respective firms and organizations. The Panel Chair co-authored a *Journal of Accountancy* opinion article, in an effort to raise awareness about the proposed provisions.

• **CCRC and Leases Subgroup.** The Panel received an update about the subgroup’s 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 includes subject matter experts on
the leases topic, is discussing internal documents that have been shared by subgroup members, and expects to develop a draft discussion paper for subgroup discussion on a subsequent call.

- **Revenue Recognition.** The Panel continued discussing potential practice implementation considerations about the following items:
  
  o Provider tax programs
  
  o Risk sharing arrangements

(Subsequent to the Panel call, the Healthcare Financial Management Association, through its Principles and Practices Board, released

- **Issue Analysis,** “Revenue Recognition Under Topic 606 for Provider Tax Programs and Similar Arrangements” and

- **Issue Analysis,** “Revenue Recognition Implications Under Topic 606 for Capitation and 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 in May 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.* The subgroup is considering and resolving comments received from the AICPA Financial Reporting Executive Committee.

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