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

- **COVID-19.** The Panel held a preliminary discussion about the coronavirus (COVID-19) pandemic and tentatively identified some potential accounting and auditing considerations related to the CARES Act (that was signed into law on March 27, 2020) that might be of impact to the healthcare community. The following is a preliminary and not an all-inclusive list of considerations that are subject to change as additional information becomes available:

  **Healthcare-Specific Financial Reporting Considerations**

  1) **Provider relief funds** would be nonexchange transactions accounted for as government grants under FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Because there are conditions attached to the funding and the funds are subject to return if the terms and conditions are not complied with, general distributions would be considered conditional grants. Providers will need to evaluate their individual facts and circumstances.

  2) Medicare Accelerated Advance Payment Program funds would be considered a contract liability to the extent the provider expects to fully settle the liability by providing future services to Medicare patients. If the provider does not believe that they will have sufficient volume to settle the liability through future services, the estimated amount to be repaid to CMS should be presented as a refund liability.

  3) The changes to the Medicare and Medicaid payment rules will impact a provider’s estimates of variable consideration when determining the transaction price under FASB ASC 606, Revenue from Contracts with Customers. The historical models used to estimate price concessions should be challenged for expected changes in payments. Further, retroactive lump-sum payments received in connection with payments for service provider to patients should be presented in patient service revenue, not accounted for as grants.

  4) **Governmental grants:**
a. Uniform Guidance implications (that is, procurement, possible exclusion of grants) - The AICPA has submitted formal inquiries through the Office of Management and Budget to the various federal agencies involved in the distribution of the CARES ACT funding and is awaiting a response.

5) Possible alternate views for PPP loan proceed was discussed and referred to the COVID-19 subgroup for further evaluations

6) HUD, FEMA funding, EMMA filing, PPP loan proceed accounting and other considerations, including accounting by providers that report under GASB standards, were also discussed and referred to the COVID-19 subgroup for further evaluations

Healthcare-Specific Auditing Considerations

1) Estimates

2) Goodwill/Intangibles impairment considerations

3) Declines in value of investment portfolios

4) Going concern

5) Subsequent event

The Panel agreed to form a COVID-19 subgroup to discuss further and determine the best near-term communication method aimed at providing healthcare-specific information about these and other potential considerations.

The Panel also noted the efforts by various standard setters to provide relief to stakeholders during this uncertain time by delaying the effective dates of several standards:

- On April 21, the FASB released a Proposed Accounting Standards Update (ASU), Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, for public comment to

  o defer the effective date of FASB ASC 842, Leases, for one year for entities in the “all other” category and public NFP entities that have not yet issued their financial statements. Therefore, under the proposed amendments, Leases would be effective for entities within the “all other” category for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Additionally, Leases would be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, for public NFP entities that have not yet issued financial statements. Early application would continue to be permitted, which means that this deferral is optional, and an entity may choose to implement Leases before those deferred effective dates.

  o defer the required effective date of FASB ASC 606 for franchisors that are not public business entities. Those entities may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019. This deferral is optional. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018.

- On April 14, the GASB released a proposed Statement, Postponement of the Effective Dates of Certain Authoritative Guidance, for public comment that

  o would postpone the effective dates of provisions in nine Statements and five Implementation Guides that became effective or will become effective for reporting periods beginning after June 15, 2018, through Statement No. 92, Omnibus 2020, and Implementation Guide No. 2019-3, Leases. Most notably, that includes Statement No. 84, Fiduciary Activities, and Statement No. 87, Leases, as well as their related Implementation Guides.
postpones by one year the effective dates of certain provisions in Statements and Implementation Guides—through Statement No. 93, *Replacement of Interbank Offered Rates*, and Implementation Guide No. 2019-3, *Leases*—that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- At its April 20, 2020 meeting, the AICPA Auditing Standards Board (ASB) voted to issue *Statement on Auditing Standards No. 141, Amendment to the Effective Dates of SAS Nos. 134 Through 140*, in May to
  - lift the prohibition against early implementation of SAS Nos. 134, 136–137, and 139–140 in order to enable those firms that are in a position to proceed with implementation to do so. (SAS Nos. 135 and 138 do not preclude early implementation.)

SAS No. 141 becomes effective upon issuance. SASs No. 134–140 are interrelated and, within this group, subsequent SASs amend previously issued SASs. The effective dates of SASs No. 134–140 were aligned so that they would be implemented as a suite. Accordingly, the ASB recommends that all these SASs be implemented concurrently.

- **CCRC and Leases Subgroup.** The Panel was updated about the overall nature and substance of an additional round of comments provided by the Panel on a revised draft of nonauthoritative AICPA Technical Questions and Answers (TQAs) being developed 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.
  - **Note:** As mentioned previously, the FASB released a *Proposed ASU* for public comment to defer the effective date of FASB *Accounting Standards Codification (ASC) 842, Leases*, for one year for entities in the “all other” category and public NFP entities that have not yet issued their financial statements.

The subgroup is working to resolve the comments and prepare an updated draft for discussion by the [AICPA Financial Reporting Executive Committee](https://www.aicpa.org) at an upcoming meeting.

- **TQA Section 6400 Subgroup.** The Panel was updated about the progress of a second round of proposed 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 have been finalized, are expected to be incorporated in the publication by the end of this month, and include two new TQAs:
  - **Section 6400.53**, “Accounting for Costs Incurred in Connection With the Implementation of Electronic Health Record Systems”
  - **Section 6400.54**, “Financial Presentation Considerations Related to Transactions Involving Provider Taxation Programs and Similar Arrangements”

- **Other Matters.**
  - An in-person meeting of the Panel that had been scheduled for June 16 in the Association’s NY office has been canceled due to the COVID-19 pandemic. Instead, the Panel will hold a regularly-scheduled call in June.

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