

Health Care Entities Expert Panel Highlights of the August 5, 2020 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

- COVID-19 Subgroup. The Panel was updated about the status of the subgroup's progress on draft nonauthoritative AICPA Technical Questions and Answers (TQAs) being developed for inclusion in Q&A section 6400, *Health Care Entities*, in AICPA *Technical Questions and Answers*. An updated draft, which addresses some potential healthcare-specific financial reporting considerations related to the CARES Act that might be of impact to not-for-profit and for-profit healthcare business entities, has undergone final review with the [AICPA Financial Reporting Executive Committee](#) (FinREC) and others. The TQAs have been finalized and are expected to be codified in the publication by the end of September, and include the following new TQAs:
 - Section 6400.63, *Background to Sections 6400.64–.70 — CARES Act Provisions Specific to Health Care Entities*
 - Section 6400.64, *Accounting for Provider Relief Fund Phase 1 General Distribution Payments*
 - Section 6400.65, *Recognition Uncertainties Associated With Provider Relief Fund General Distribution Payments*
 - Section 6400.66, *Period of Accounting for Provider Relief Fund General Distribution Payments*
 - Section 6400.67, *Accounting for Uninsured Pool Portion of Provider Relief Funds*

- Section 6400.68, *Accounting for Payments Received Under the Medicare Accelerated and Advance Payment Program*
- Section 6400.69, *Accounting for Temporary Increases in Medicare and Medicaid Payments*
- Section 6400.70, *FEMA Public Assistance Payments to NFP Health Care Entities for Emergency Protective Measures During the COVID-19 Pandemic*

The Panel also discussed the final [Technical Bulletin No. 2020-a](#), *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases*, which was released in early July and became effective immediately. The bulletin provides guidance on COVID-19 related accounting and financial reporting matters for those entities reporting under GASB standards.

The Panel also a preliminary discussion about some additional topics that Panel members have been encountering as a result of COVID-19, including

- Single audit or program specific audit considerations, including the anticipated release of the 2020 *Compliance Supplement*
- Lost revenues meaning and measurement- disparity in interpretation in practice (that is, gross revenues vs. net margin, is measurement period cumulative or month to month, lost investment revenues/donations) given limited information provided in the U.S. Department of Health and Human Services (HHS) Q&A
- Allowable Covid-19 related expenses
- Paycheck protection program loans
- Employee retention credit

The Panel is working with the [AICPA State and Local Governments Expert Panel](#) to gain further clarification on Single Audit and/or program specific audit requirements. Additionally, the Panel is working in conjunction with the Healthcare Financial Management Principles and Practices Board seeking additional clarification from HHS related to the measurement of lost revenues, specific types of allowable COVID-19 related expenses and other matters. As more information becomes available, the Panel might consider the need to provide guidance about one or more of these topics through an article, webcast, or additional TQAs.

- CCRC and Leases Subgroup. The Panel was updated about the July discussion with FinREC on an updated draft of nonauthoritative 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:** The FASB released [ASU No. 2020-05](#), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, 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 (or made financial statements available for issuance).

The subgroup revised the draft to address FinREC comments and submitted it to FinREC for clearance. The TQAs have been finalized and are expected to be codified in the publication by the end of September, and include the following [new TQAs](#):

- Section 6400.55, *Background to Sections 6400.56–.62 — Accounting for Lease Components in Type A Life Care Contracts by Continuing Care Retirement Communities*
- Section 6400.56, *Embedded Lease Component Within Type A Life Care Contracts*

- Section 6400.57, *Determination of the Lease Term When an Embedded Lease Component for an Independent Living Unit Is Present Within Type A Life Care Contracts*
- Section 6400.58, *Classification of an Embedded Lease Component Within Type A Life Care Contracts*
- Section 6400.59, *Non-Lease Components Within the Resident Agreement of Type A Life Care Contracts*
- Section 6400.60, *Measurement of Lease Payments if a Lease for an Independent Living Unit Exists in a Type A Life Care Contract*
- Section 6400.61, *Reassessment of Lease Term Within the Resident Agreement of Type A Life Care Contracts*
- Section 6400.62, *Impact on a Lease Component Within the Resident Agreement of Type A Life Care Contracts When a Resident Transitions to Assisted Living or Skilled Nursing*
- TQA Section 6400 Subgroup. The Panel was updated about the subgroup's progress on annual proposed conforming changes to relevant nonauthoritative TQAs in Q&A section 6400, *Health Care Entities*, in *AICPA Technical Questions and Answers*, to reflect recently effective authoritative literature. The proposed changes have been submitted to the Panel for review.
- AICPA Healthcare (Virtual) Conference. The Panel was informed that, due to the effect COVID-19 has had on AICPA conference schedules for 2020, this year's annual conference will not be held in person as in prior years. Instead, the AICPA has approved a plan for the Health Care Conference Planning Committee and others to develop a series of webcasts that will be held virtually, tentatively during the week of November 30, 2020.
- Health Care Advisory Subgroup. The Panel was updated about the efforts of a subgroup (external to the Panel) that was formed after the CARES Act was passed. The subgroup, in determining where it might be able to help our members in health care with advisory opportunities, has consulted with the Panel and drafted a [Frequently Asked Questions \(FAQ\) document](#) as of August 3 and discusses, among other things, the Paycheck Protection Program, FEMA funding, determining a CPA's services to a client, and tax considerations. The subgroup is developing additional topics for inclusion in an updated FAQ document that is expected to become available in the next several weeks.

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