Health Care Entities Expert Panel
Highlights of the June 16, 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. FASB Update

The Panel received an update from Jeff Mechanick, FASB Assistant Technical Director – Nonpublic Entities, and Frazer Mulugeta, Postgraduate Technical Assistant, about the status of select FASB projects and implementation activities. The primary focus of this discussion centered around the following:

- FASB Response to COVID-19
- Effective Date Deferrals of Revenue (Topic 606) and Leases (Topic 842)
- Amended Effective Dates of Hedging, Leases, Credit Losses, and Insurance
- Lease Concessions and Cash Flow Hedges
- Reference Rate Reform
- Grants and Contracts
- Distinguishing Liabilities from Equity
- Goodwill and Intangibles Project
- Balance Sheet Classification of Debt
- Not-for-Profit Reporting of Gifts in Kind
II. Panel Projects

- **COVID-19 Subgroup.** The Panel was updated about the subgroup’s progress in resolving initial comments provided by the Panel and the AICPA Financial Reporting Executive Committee (FinREC) on draft nonauthoritative AICPA Technical Questions and Answers (TQAs) being developed. These TQAs are expected to address some potential healthcare-specific financial reporting considerations related to the CARES Act (that was signed into law on March 27, 2020) that might be of impact to not-for-profit and private entity healthcare providers. The subgroup is preparing an updated draft for additional review by relevant parties, including the Panel and FinREC.

  o The Panel also held a preliminary discussion about some additional topics that Panel members have been encountering as a result of COVID-19, including:
    - Presentation of the Care Act relief funds in the statement of operations as operating vs. non-operating,
    - Carrying Value of Inventory (for example, personal protective equipment and other related items that were purchased at a premium),
    - Potential bad debt expense recognition that would relate to pre-COVID accounts receivables because of credit deterioration as a result of COVID-19 job loss or other matters
    - Single Audit Considerations for Cares Act funding

The Panel might consider the need to develop helpful information about one or more of these topics.

  o The Panel was also informed about GASB’s June 11 issuance of an Exposure Draft of a proposed 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, for a two-week comment period ending on June 25. The technical bulletin clarifies 1) the application of the recognition requirements of GASB Statements 33, 56, and 70 to resources received from certain programs established by the CARES Act; and 2) the presentation of certain inflows of CARES Act resources and the additional unplanned outflows of resources incurred in response to a coronavirus disease. 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, was released in early July and became effective immediately.

- **CCRC and Leases Subgroup.** The Panel was updated about the subgroup’s progress in resolving an additional round of comments provided by the Panel on a revised 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.

  o **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 is preparing an updated draft for discussion by FinREC at an upcoming virtual meeting.

- **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 are expected to be submitted to the Panel for review in the next several weeks.

- **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 that discusses, among other things, the Paycheck Protection Program, FEMA funding, determining a CPA’s services to a client, and tax considerations. The FAQ is expected to become available in the next several weeks.