



Year-End Accounting & Auditing Update for Healthcare Entities (FASB)

December 10, 2024

AICPA Health Care Entities Expert Panel and HFMA Principles and Practices Board Updates



Norman Mosrie
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- Accounting for Risk-Sharing Arrangements
- Accounting for Energy Service Agreements
- Environmental, Social, and Governance Implications
- Student Financial Aid Related-Party Disclosures
- Employee Retention Credit Updates
- Single Audit Updates
- Provider Relief Fund Updates; OIG and HRSA Audits
- FEMA Duplication of Benefits Reviews



Brian Pavona
Partner

Accounting for Risk-Sharing Arrangements & Alternative Payment Models

- Contracts in which a healthcare entity receives payment in exchange for assuming an obligation to provide, and/or become financially responsible for, healthcare services to specified, qualified beneficiaries
- Exposure to uncertainty of financial gain or loss
- Bundled payments, capitation arrangements, pay-for-performance, shared savings/loss programs, risk pools
- To each program and contract component, the appropriate accounting framework must be applied e.g.,

**ASC 815,
Derivatives and
Hedging**

**ASC 460,
Guarantees**

**ASC 606,
Revenue from
Contracts with
Customers**

Accounting for Energy Service Agreements (ESAs)

- Complex accounting involving special purpose entity and multiple agreements, including bond financing
- Bernhard Energy Infrastructure Firm
- Need to consider ASC 606 Revenues, ASC 842 Leases, ASC 705-20, consideration received from a vendor
- Proposed ESAs continue to evolve and accounting can vary among providers

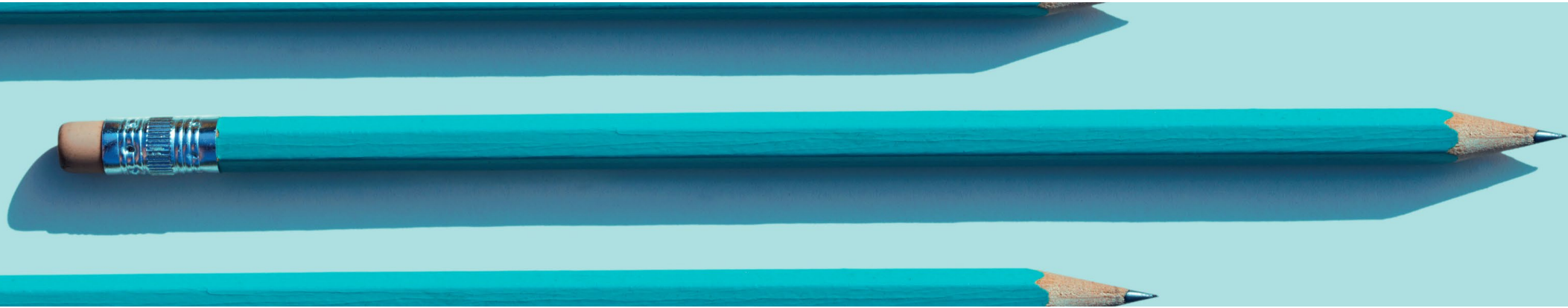


Environmental, Social, and Governance Implications (ESG)



- ESG Strategy and Governance
- Climate Risk Management
- Sustainable Performance Improvement
- Corporate Data and Reporting

Student Financial Aid Related Party Disclosures & Supplemental Schedule – Department of Education



Effective as of July 1, 2024

- Required note disclosures
 - Name of RPT
 - Location of RPT
 - Description of RPT
 - Nature and amount of RPT (no materiality threshold)
- Examples – Major donors, board member affiliated with lenders
- Financial Responsibility Supplemental Schedule
 - Must be included with AFS and contain information to calculate composite score ratios
- Recommended separate ED AFS version with disclosures for eZ-Audit submission

Employee Retention Credit (ERC) Updates



- ERC was available for 2020 and most of 2021
- In the past year, IRS issued 28,000 disallowance letters for refund claims totaling \$5 billion believed to be “a high risk of being incorrect.”
- IRS later indicated that up to 10% of these letters may have been in error.
- After a lengthy pause, IRS has resumed issuing refunds again for the 400,000 low-risk claims.

Single Audit Updates

- Annual federal expenditure threshold requiring a single audit increased from \$750,000 to \$1,000,000 effective October 1, 2024 (for FYs ending September 30, 2025 or later)
- > \$1 million Type A program threshold for entities with awards from \$1 million to \$34 million
- De Minimis Indirect Rate increase from 10% to 15%

Provider Relief Fund Updates; OIG and HRSA Audits

- Contracted auditors
- Lost revenue focus
 - How recorded
 - How bad debts & contractual allowances were determined
 - Support for settlements/one-time adjustments in a specific period
 - Expenses Support for incremental expenses
 - Controls over not “double dipping”
- Audit period – Up to 3 years from each portal submission period

FEMA Duplication of Benefit Reviews



AN FFRDC OPERATED BY RAND UNDER CONTRACT WITH DHS

An FFRDC operated by the RAND Corporation
under contract with DHS

Summary

HSOAC evaluated claimed costs for potential duplication of benefits with patient care revenue. This memorandum summarizes HSOAC's recommended reductions for ABS Hospital's COVID-19 Public Assistance (PA) projects.

HSOAC recommends a total reduction of \$1,000,000 from the \$1,500,000 of evaluated claimed costs. Project-specific reductions are listed in Table 5.

Ransomware and Cybersecurity



Ben Owings

Director, IT Compliance

Cyberattacks in the News

- Healthcare has been the most victimized by cyberattacks for the past 14 consecutive years
- 2024 has been a record-setting year for major cyber disruptions (Change Healthcare, CrowdStrike, etc)

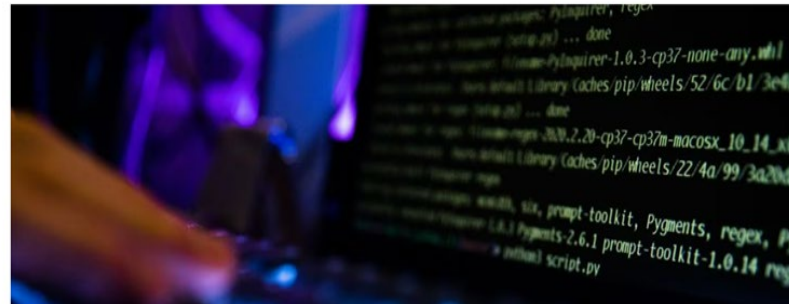
What Can Be Done?

- Incident preparation; training and performing table-top exercises
- Independent risk assessment, controls testing, and cyber technical work

After ransomware attack, state's second-largest health insurer says patient data stolen

Point32Health says current and former members of Harvard Pilgrim Health Care may have been affected

By [Jessica Bartlett](#) Globe Staff, Updated May 23, 2023, 7:38 p.m.



Hacking healthcare: With 385M patient records exposed, cybersecurity experts sound alarm on breach surge

Cybersecurity experts say healthcare companies must harden their defenses, but it may require regulators and lawmakers to raise the bar on security standards.

An Illinois hospital is the first health care facility to link its closing to a ransomware attack

A ransomware attack hit SMP Health in 2021 and halted the hospital's ability to submit claims to insurers, Medicare or Medicaid for months, sending it into a financial spiral.

Idaho hospital diverts ambulances, turns to paper charting following cyberattack

By [Annie Burky](#) · Jun 1, 2023 04:00pm

[Cybersecurity](#) [Emergency Care](#) [Privacy and Security](#) [cyberattack](#)



Clockwise from top left: 1 Burky, A. (June 1, 2023), fiercehealthcare.com 2 Bartlett, J. (May 23, 2023), bostonglobe.com 3 Collier, K. (June 12, 2023), nbcnews.com 4 Avi-Yonah, S & Rempfer, K. (August 5, 2023), washingtonpost.com 5 Liss, S & Ye Han, J. (March 9, 2023), healthcaredivide.com

Eye on Washington



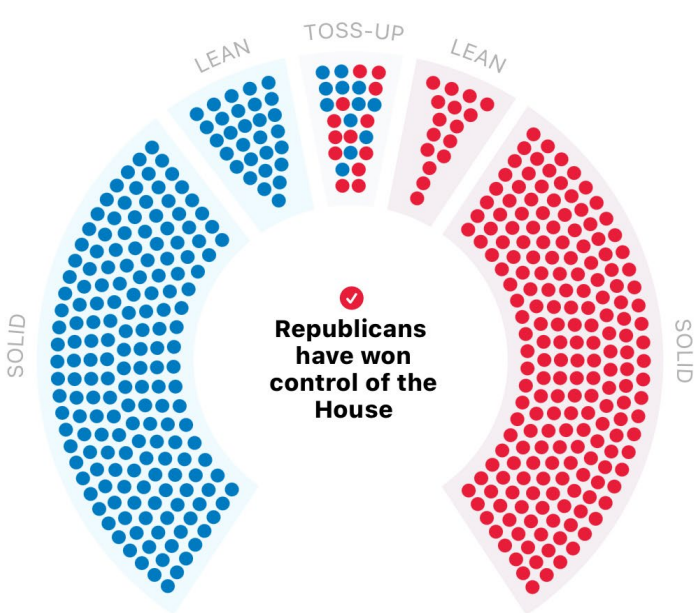
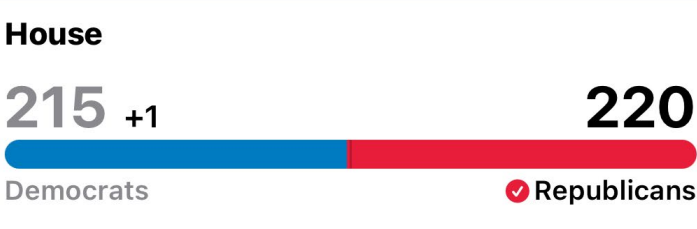
Chad Mulvany

Director

2024 Election – Congress

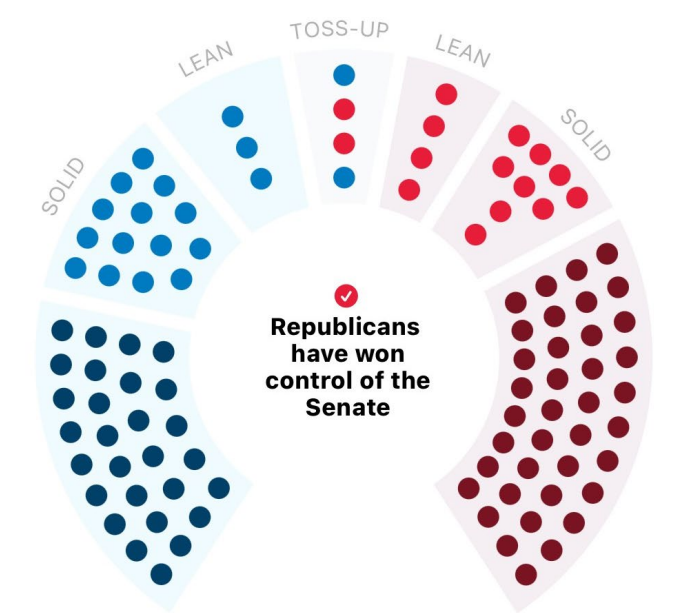
The Republicans have held the House of Representatives ...

... and have taken the Senate, enabling legislation to be passed by “reconciliation.”



Ratings: Cook Political Report

○ ○ Lead ● ● Called



Ratings: Cook Political Report

○ ○ Lead ● ● Called ● ● Not up for election

2024 Election – Administration

Trump '47 will be more effective in the first 100 days than Trump '45.

How the regulatory environment changes will depend on appointments to HHS and CMS.



2025 – Forcing Functions

Upcoming legislative “must do's” create opportunities for major health policy changes.

Key Legislative Deadlines

Tax Cuts, Jobs Act, ACA Enhanced Subsidies
Dec. 31, 2025

FFY 2026 Budget
Oct. 1, 2025

Debt Ceiling Jan. 2, 2025
FFY 2025 Budget Dec. 20, 2024



Issues to Watch

Over the next two years there are many health policy issues likely in play that could impact organizations' finances.

Select Health Policy Issues In Play

Medicaid	Exchange Subsidies & Insurance Market "Reform"	Medicare Advantage
Site-Neutral Payments	340B	Price Transparency
SNF Staffing Ratios	Transition to Value	Tariffs/ Supply Chain

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