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ACCOUNTING & AUDIT

AICPA Guidance Offers Health Care Businesses Options When Considering an Accounting Model for a Government Grant

The 10 pages of nonauthoritative accounting guidance developed by the AICPA Health Care Expert Panel addresses questions regarding CARES Act provisions and COVID-related FEMA funding specific to nongovernmental health care entities...

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The COVID-19 pandemic continues to create a financial strain on hospitals, physicians, and other health care entities. The [American Institute of CPAs \(AICPA\)](#) today issued a set of [Technical Questions and Answers \(TQAs\)](#) to help nongovernmental health care entities account for payments received from the CARES Act, the Provider Relief Fund, and boosted Medicare and Medicaid payments.

The 10 pages of nonauthoritative accounting guidance developed by the [AICPA Health Care Expert Panel](#) addresses questions regarding CARES Act provisions and COVID-related FEMA funding specific to nongovernmental health care entities, which include business entities and not-for-profit entities.

“We hope these TQAs will provide some helpful information to practitioners on the accounting for Provider Relief Fund general distribution payments and payments for treating uninsured COVID-19 patients,” said Brian Conner, CPA, a member of the AICPA Health Care Expert Panel. “The TQAs also address payments received under

the Medicare Accelerated and Advance Payment Program and the temporarily increased payments for services to Medicare and Medicaid patients.”

The TQAs provide background information and address seven inquiries, including:

- The CARES Act attempts to alleviate some of the financial strain on hospitals, physicians, and other health care entities through a series of new policies that temporarily boost Medicare and Medicaid payments and allow for added flexibility. How will the changes to Medicare and Medicaid payment rules affect recognition of patient service revenue by nongovernmental health care entities?
- What factors should nongovernmental entities consider when evaluating income recognition for Provider Relief Fund general distribution payments?

“There is currently no explicit guidance within U.S. Generally Accepted Accounting Principles (GAAP) on the accounting for government grants to health care business entities,” said Andy Mrakovcic, CPA, AICPA Manager – Public Accounting and Staff Liaison to the AICPA Health Care Expert Panel. “We hope these TQAs will help health care business entities select an appropriate accounting model when applying for a government grant.”

When selecting an appropriate accounting model to apply to a government grant, a health care business entity should consider:

- U.S. GAAP guidance on selecting accounting principles for transactions or events for which no guidance exists (FASB ASC 105, *Generally Accepted Accounting Principles*);
- the specific characteristics and facts and circumstances associated with the grant; and
- any preexisting accounting policies the entity may have established for government grants.

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