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Urgent
MEMORANDUM

To: Chief Financial Officers - All Hospitals

From: Dennis N. Phelps, Associate Director-Audit & Compliance

Date: November 9, 2017

Re: Change in Reporting Requirements – Net Periodic Benefit Retirement Costs

The Financial Accounting Standards Board (FASB) issued final guidance that will change how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in their income statements, which are used in schedules filed with the HSCRC. The net periodic benefit cost is comprised of several components, e.g., service cost, interest cost, return on assets, and net amortization. Under the new guidance, only the service cost component will continue to be presented in the income statement as operating costs for the period. The other components of net periodic benefit cost will be presented as non-operating expenses. This change in presentation is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted.

Those hospitals choosing early adoption of the new guidance for FY 2018 and beyond should submit their Schedule SFI – Supplemental Information Non-operating Revenue And Expenses and Other Significant Financial Information of the Annual Report of Revenues, Expenses, and Volumes(Annual Report), with the other components of the net periodic benefit cost reported on line B-6 Other - Detailed Non-Operating – Income /(Expense). Those hospitals choosing early adoption for FY 2017 and have already filed their Annual Report should immediately re-submit Schedule SFI with the periodic benefit costs reported as per this memorandum.

If you have questions concerning the above, you may contact me at 410-764-2565.