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February 17, 2011

Emerging Issues Task Force of the Financial Accounting Standards Board

director@fasb.org

File Reference No. EITF100H

Re: Proposed Accounting Standards Update Other Expenses (Topic 720)

Fees Paid to the Federal Government by Health Insurers

Comment deadline: April 18, 2011

To The Technical Director:

The Accounting Principles and Auditing Standards Committee (the AP&AS "Committee") of the California Society of Certified Public Accountants (CalCPA) is pleased to provide our comments to the Financial Accounting Standards Board ("FASB") on the proposed accounting standard update.

The AP&AS Committee is the senior technical committee of the CalCPA. CalCPA has approximately 35,000 members. The Committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

The following represents the consensus reached from our deliberations.

Question 1

The amendments in this proposed Update are consistent with the conclusions reached by the Task Force related to the fee to be paid by pharmaceutical manufacturers in accordance with the Acts. Do you agree that the conclusions should be consistent? If not, why not?

The Committee concludes that the accounting should be similar.

However, a significant minority of the Committee observes that the Committee did not comment upon the pharmaceutical manufacturers Update and that if it had done so, those members would have reached a conclusion that the event that triggers the obligation to remit the fee is the passage of the Act. Accordingly, those members would have commented that the liability to remit the fee should be recorded at the earliest date following the passage of the Act when the amount is probable of payment and reasonably

measurable. In the opinion of those members, that date may occur earlier than the date specified in the Update.

Question 2

The amendments in this proposed Update require that the liability for the fee be estimated and recorded once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. Do you agree with this conclusion? If not, how do you think the fee should be recognized and why?

The Committee agrees with the proposed Update; however, the significant minority of the Committee discussed in Question 1 believes that the period of allocation should begin with the earliest date following the passage of the Act when the amount is probable of payment and reasonably measurable.

Question 3

The amendments in this proposed Update require that the fee be classified as an operating expense in the income statement of health insurers. Do you agree with that conclusion? If not, how do you think the fee should be classified and why?

The Committee did not reach a consensus on this issue. A slight majority of the members agree with the proposed Update, but many members believe that the fee represents a discount on health insurance premiums applicable to U.S. health risks and should be reflected in the income statement as a reduction to revenue.

Question 4

The amendments in this proposed Update would specify that the fee does not meet the definition of an acquisition cost as amended by Update 2010-26. Do you agree with that conclusion? If not, why do you think the fee should be classified as an acquisition cost as amended by Update 2010-26?

The Committee agrees with the proposed Update.

Question 5

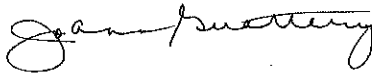
Do you agree that no additional disclosures are necessary upon adoption or after the adoption of the amendments in this proposed Update? If not, please describe what disclosures should be required and why.

Those members of the Committee that believe the fee should be reflected as a reduction to revenue believe that a disclosure should be made of the amount of the fee, either parenthetically on the face of the income statement or in the notes.

The Committee generally believes that the passage of the Act and the range of estimated amounts to be paid, if determinable, should be disclosed for periods subsequent to passage of the Act but prior to recording of an obligation. In addition, the Committee believes that the method of allocation of the fee should be disclosed.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

A handwritten signature in cursive script, appearing to read "JoAnn Guattery".

JoAnn Guattery, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants