



2020 West El Camino Avenue, Suite 800
Sacramento, CA 95833
hcai.ca.gov



May 15, 2026

To: Hospital Chief Financial Officers
and Other Interested Parties

Re: Hospital Technical Letter No. 37

This is the 37th in a series of Hospital Technical Letters developed by the Department of Health Care Access and Information (HCAI), formerly the Office of Statewide Health Planning and Development (OSHPD), regarding our uniform accounting and reporting system requirements for California hospitals. The purpose of these letters is to provide timely information to assist you in meeting these requirements.

Right-of-Use Asset Accounting

US GAAP ASC 842 requires all leases with terms over a 12-month period must be included on the Balance Sheet. ASC 842 classifies leases as two types: finance lease (formerly capital lease) and operating lease. Both types of leases require a right-of-use asset (ROU) and lease liability be established at lease commencement and then reduced over the remaining lease term. Prior to ASC 842 operating leases had no Balance Sheet reporting requirements.

Finance Lease Accounting

Capital leases have always been included in Balance Sheet chart of accounts. Therefore, there is no change in the recording of Finance leases. The ROU Asset is recorded in the appropriate PPE account (Accounts 1200 - 1240) with Depreciation/Amortization recorded in Account 1260. The ROU Lease Liability is recorded in Capital Lease Obligations Account 2240.

Operating Lease Accounting

Since the Balance Sheet chart of accounts does not currently accommodate the reporting of operating leases, the net ROU Asset may be recorded as Other Assets in Account 1350. The net ROU Lease Liability may be recorded as Other Non-Current Liabilities in Account 2270 with any current portion identified as Current Maturities of Long-Term Debt.

Clean Claims Interest Revenue

Clean claims interest is a mandatory penalty payment paid by insurers to healthcare providers for failing to process or pay a "clean" medical claim within a specific legal timeframe. A clean claim is a clean submission requiring no additional info.

Effective January 1, 2026, AB 3275 shortens the timely payment of clean claims to 30 calendar days for health care service plans, including HMOs and Medi-Cal managed care plans, and health insurers. Additional changes to existing law require health care service plans and health insurers to 1) provide written notice of contested claims within the same 30 calendar day period, 2) pay 15% interest on late-paid clean claims, and 3) pay an additional fee, the greater of \$15 or 10% of the accrued interest, if fail to automatically pay interest on late-paid clean claims.

These interest revenue payments and additional fees on late-paid clean claims are to be recorded as Other Operating Revenue; on Page 14, Part I or II of the Hospital Annual Disclosure Report (HADR) and on Line 810 of the Quarterly Financial and Utilization Report (QFUR).

ANNUAL FINANCIAL DISCLOSURE REPORTING in 2025-26

The reporting requirements for the 51st year Hospital Annual Disclosure Report (HADR) cycle, which includes reporting periods ended June 30, 2025 through June 29, 2026, are the same as the previous year. The approved software (Version 51A) is:

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>	<u>Status</u>
Health Financial Systems	Becky Dolin	(916) 226-6269	Approved
Compu-Max	Jim David	(213) 433-3921	Approved

HADR Extension Policy: Hospitals may request 60 days on the initial HADR extension request. A second request must be submitted to use the remaining 30 days. The law prohibits HCAI from granting more than a total of 90 days.

QUARTERLY REPORTING for 2026

The reporting requirements for 2026 are the same as 2025. Hospitals use [SIERA](#) (System for Integrated Electronic Reporting and Auditing) to prepare and submit their Quarterly Financial and Utilization Reports (QFUR). Quarterly Reports are due 45 days after the end of each calendar quarter.

2026 Quarterly Report Periods and Due Dates

Quarter	Period Begins:	Period Ends:	Date Due
1st Quarter	January 1, 2026	March 31, 2026	May 15, 2026 (Fri.)
2nd Quarter	April 1, 2026	June 30, 2026	August 14, 2026 (Fri.)

3rd Quarter	July 1, 2026	September 30, 2026	November 14, 2026 (Sat.)
4th Quarter	October 1, 2026	December 31, 2026	February 14, 2027 (Sun.)

*Note: Reports due on a Saturday, Sunday, or State holiday may be submitted the next business day without penalty.

QFUR Extension Policy: One 30-day extension will be granted upon request. The law prohibits HCAI from granting more than 30 days.

Copies of previous Hospital Technical Letters are available on HCAI's web site. If you have any accounting or reporting questions, please call me at (916) 326-3905.

Sincerely,

Original Signed By

Harry Dhami
Hospital Unit Supervisor