

**OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**  
**HEALTHCARE INFORMATION DIVISION**  
**ACCOUNTING AND REPORTING SYSTEMS SECTION**  
 818 K Street, Room 400  
 Sacramento, California 95814  
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July 1998

To: Hospital Chief Financial Officers  
 and Other Interested Parties

**Re: Hospital Technical Letter No. 4**

This is the fourth in a series of Hospital Technical Letters developed by the Office 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.

**ANNUAL REPORTING REQUIREMENTS FOR FYE JUNE 30, 1998 AND AFTER**

You will be glad to hear that there are no changes to the Office's Hospital Annual Disclosure Report for the next reporting cycle, which covers report periods ended June 30, 1998 through June 29, 1999. Earlier this month, the Office sent a notice to all hospitals with a report period ending June 30, 1998, reminding them that their next annual report is due on or before October 31, 1998. The notice also indicated that hospitals must still use Office-approved vendor software to prepare their report, which may be transmitted by modem to the Office's BBS or submitted on a 3.5" 1.44Mb diskette.

At this time, the software vendors are in the process of obtaining the Office's approval to distribute software (Version 24a) for completing your Hospital Annual Disclosure Report. The approval process is typically completed in late-August or early-September. If your software vendor has not contacted you about an upgrade, you may wish to contact them at the number below.

<u>Vendor</u>	<u>Contact Person</u>	<u>Phone Number</u>
Health Financial Systems	Charles Briggs	(916) 686-8152
Hospital Management Services	Lanny Hawkinson	(714) 992-1525
KPMG Peat Marwick	Niccole Bourlier	(805) 284-1800

**PROPOSED CHANGES TO ACCOUNTING AND REPORTING SYSTEMS**

On June 12, 1998, the Office sent a package to all Hospital Chief Financial Officers regarding proposed changes to the *Accounting and Reporting Manual for California Hospitals* (Manual). Public comments must be submitted in writing by August 3, 1998, to warrant consideration before the changes are adopted. The highlights of the proposed changes are:

- the establishment of new payer categories to account and report the activities associated with patients enrolled in managed care health plans. The new payer categories include Medicare - Managed Care, Medi-Cal - Managed Care, County Indigent Programs - Managed Care, and Other Third Parties - Managed Care;
- the establishment of an Other Indigent payer category to separately account and report those indigent patients not being recorded in the County Indigent Programs payer category;
- the elimination of the revenue account for purchased inpatient services and the establishment of an expense account for purchased outpatient services;
- the revision of Report Pages 4.1, 4.2, 8, and 12 of the Hospital Annual Disclosure Report to accommodate the new payer categories;
- the revision of the Quarterly Financial and Utilization Report to report data associated with the new payer categories; and

- the requirement of each hospital to have access to a PC running under a Windows 95 or later, or Windows NT operating system to use future versions of the Hospital Quarterly Reporting System (HQRS) software.

If the proposed changes are adopted, a Manual update, Hospital Transmittal Letter No. 8, will be issued in October 1998, specifying that the accounting system changes must be implemented effective with fiscal years beginning on or after July 1, 1999. This means that the initial Hospital Annual Disclosure Reports to reflect the new reporting requirements will be for the report period ending June 30, 2000. The initial revised Quarterly Financial and Utilization Report will cover the calendar quarter ending March 31, 2000.

### **REPORTING SQUARE FEET ON THE HOSPITAL ANNUAL DISCLOSURE REPORT**

The Office collects various types of square feet data on Report Pages 18 and 19 of the Hospital Annual Disclosure Report. A definition of each type of square feet follows:

**Gross Square Feet** is defined as the total floor area of the plant including common areas (hallways, stairways, elevators, lobbies, etc.) and is the unit of measure for Plant Operations (P. 18, C. 13, L. 125) and Plant Maintenance (P. 18, C. 13, L. 130). If the Plant Operations and/or Plant Maintenance cost center includes the costs associated with utilities and/or repairs and maintenance of leased buildings, the related gross square feet should also be included.

**Gross Square Feet Owned** is defined the same as Gross Square Feet, but applies only to those buildings owned by the hospital. It is the unit of measure for Depreciation and Amortization (P. 18, C. 13, L. 300).

**Square Feet Leased** is defined the same as Gross Square Feet, but applies only to those buildings leased or rented by the hospital. It is the unit of measure for Leases and Rentals (P. 18, C. 13, L. 305).

**Square Feet Serviced** is the interior floor area serviced by Housekeeping on a regular and ongoing basis. It is reported in total (P. 18, C. 13, L. 120) and by cost center for cost allocation purposes (P. 19, C. 7). When completing this statistic, be aware of those cost centers (such as Dietary, Grounds, and Plant Operations and Maintenance) which generally perform their own housekeeping functions, meaning that related square feet should not be counted.

**Square Feet Occupied** is the square feet specifically identifiable to each cost center (P. 19, C. 2) and excludes most common areas, particularly stairwells, elevators, and general and unused areas. Include the square feet associated with buildings that are owned, leased, or rented. See Section 5032 of the Manual for a more detailed description of this statistic, which is used during the cost allocation (step-down) process. Total square feet occupied (P. 19, C. 2, L. 920) is usually less than Gross Square Feet (P. 18, C. 13, L. 125) due to the square feet related to common areas.

**Square Feet of Ground Space** is the total number of square feet of the hospital premises, less the area occupied by the physical plant; and is the unit of measure for Grounds (P. 18, C. 13, L. 105). Include all outside ground areas which are regularly and routinely maintained by the Grounds cost center, including landscaped and paved areas, streets on the property, sidewalks, fenced areas, external recreation areas, and parking facilities. Note that one acre equals 43,560 square feet. When reporting the square feet occupied by the Grounds cost center (P. 19, C. 2, L. 115), include only interior floor space occupied and not the outside ground areas which it maintains.

**Square Feet of Parking Area** is the gross square feet for parking facilities owned and/or operated by the hospital for patients, employees, and visitors. It is the unit of measure for Parking (P. 18, C. 13, L. 115) and includes all common areas, such as walkways, curbs, elevator shafts, etc. When reporting the square feet occupied by Parking (P. 19, C. 2, L. 125), include only interior floor space occupied by Parking and not the parking lots or structures.

If you would like copies of previous Hospital Technical Letters, or if you have any questions, please call Kenny Kwong at (916) 323-7681, or me at (916) 323-7676.

Sincerely,

Jay R. Benson  
Manager