

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**To THE BOARD OF TRUSTEES
XYZ HOSPITAL**

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees of XYZ Hospital and the New York State Department of Health – Office of Health Insurance Programs, on behalf of itself and the other Offices and Agencies of the State of New York, solely to assist the specified parties in evaluating XYZ Hospital's compliance with subdivisions (9) and (12) of section 2807-k of the New York State Public Health Law for the year ended December 31, 2008. Management is responsible for XYZ Hospital's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The criteria for determining sample size for procedure number 1 were as follows:

- INPATIENT: Haphazardly select .2% of annual discharges from discharge log, by payor (or equivalent record) during 2008 but not less than 25 or greater than 100, with approximately 50% of such accounts being self-pay.
- OUTPATIENT: Haphazardly select one day of average daily visits from visit log, by type of service and by payor (or equivalent record) during 2008 but not less than 25 or greater than 100. Where necessary, additional days were selected until the minimum sample size of 25 was reached. The sample chosen must reflect the percentage relationship of emergency room visits to other outpatient visits. In addition, if the sample is other than one day of visits, the sample must not have a lower percentage of self-pay than the day itself.

1. Based on the above criteria, we selected _____ inpatients from discharge log (or equivalent record) for the year ended December 31, 2008, and _____ outpatients from visit log (or equivalent record) for the day of _____, 2008 and performed the procedures described in Steps 1(a) through (c).
 - a. Inspected patient billing records (or equivalent record) of the Hospital for an indication that the Hospital determined, or attempted to determine, the patient's ability to pay for the service rendered, and noted such an indication [*or otherwise describe the resulting finding*] of such determination or attempted determination for each patient. (If no findings, state 'No exceptions were found.')
 - b. Inspected patient billing records and follow-up billing notices (or equivalent record) for evidence of the Hospital's requests for payment for services rendered and noted [*describe findings, including the nature of the evidence such as copies of collection correspondence, notes from collection phone calls, or other appropriate evidence*]. (If no findings, state 'No exceptions were found.')

- c. Inspected patient billing records and collection notices (or equivalent record) for evidence of the Hospital's collection actions taken subsequent to the initial billing and evidence that such actions were consistent with the Hospital's billing and collection policies and procedures in the circumstances and noted that *[describe findings, including the nature of the evidence such as copies of collection correspondence, notes from collection phone calls, or other appropriate evidence]*. (If no findings, state 'No exceptions were found.')
2. Inspected general ledger bad debt expense account (or equivalent record) of the Hospital for evidence that the Hospital records or accounts for amounts collected after write-off as a recovery of bad debts (i.e., netted against current year bad debt expense), and not as other revenues, a contractual allowance adjustment, or a reduction of another expense account and noted that *[describe findings, including the nature of the evidence inspected]*. (If no findings, state 'No exceptions were found.')
3. Inspected patient billing records and collection notices of the Hospital for 25 inpatient and 25 outpatient accounts haphazardly selected that the Hospital has determined to be bad debts (either through write-off or setting aside a specific reserve) during the years ended December 31, 2006 and December 31, 2007 for evidence that the Hospital was consistent with its billing and collection policies and procedures in the circumstances concerning the time period that elapses between initial billing and the determination that an unpaid bill was a bad debt and noted that *[describe findings, including the nature of the evidence inspected]*. (If no findings, state 'No exceptions were found.')
4. Obtained and read the auditor's report on the financial statements of XYZ Hospital for the year ended December 31, 2008, and observed that such report did not contain an exception to generally accepted accounting principles related to bad debt expense. (If no findings, state 'No exceptions were found.')
5. Inquired of (***INSERT NAME AND TITLE OF INDIVIDUAL***), who has responsibility for financial and accounting matters, whether the Hospital's policy is to charge the NYHCRA surcharge amounts on accounts written-off to the surcharge liability account rather than to bad debt expense; the *[title of individual]* responded that *[include description of response; e.g., the Hospital's policy is to charge such surcharge amounts to the surcharge liability account]*. (If no findings, state 'No exceptions were found.')

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Hospital's compliance with subdivisions (9) and (12) of section 2807-k of the New York State Public Health Law for the year ended December 31, 2008. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees of XYZ Hospital and the New York State Department of Health – Office of Health Insurance Programs, and the other Offices and Agencies of the State of New York and is not intended to be and should be not used by anyone other than these specified parties.

[Signature]

[Date]