GLOSSARY

This Glossary includes selected general accounting terms and certain special terms encountered in the financial management of health facilities. Many of the definitions provided have been extracted and adapted from a variety of sources, including:


GLOSSARY

Abandonment

The complete retirement of a fixed asset from service, following salvage or other reclaiming of removable parts.

Accelerated depreciation

Depreciation at larger than the straight-line rate because of:

(a) operation of plant or equipment at more than normal speed, use, or capacity;
(b) a useful or economic life materially less than physical life;
(c) an excessive cost in which materials and skilled labor are at a premium, such excessive cost being written-off during what is estimated to be the high-price period;
(d) tax advantages arising from the use of declining-balance and sum-of-the-years methods.

Accommodation fee

An advance payment or transfer of a specified amount of funds or property by, or on behalf of, an aged person to a facility at full or partial payment for the promise to provide accommodations for the remainder of the person's life.

Account

A formal record of a particular type of transaction expressed in money and kept in a ledger.

Accountability

The obligation of an employee, agent, or other person to supply a satisfactory report, often periodic, of action or of failure to act following delegated authority/responsibility.
Accounting

The art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof.

Accounting control

The administrative procedures employed in maintaining the accuracy and propriety of transactions and the bookkeeping record thereof.

Accounting manual

A handbook of accounting policies, standards, and practices governing the accounts of a business enterprise or other entity; it includes the classification of accounts.

Accounting period

The period of time for which an operating statement is customarily prepared.

Accounting policy

The general principles and procedures under which the accounts of an organization are maintained and reported; any one such principle or procedure.

Accounting principles

The body of doctrine associated with accounting, serving as an explanation of current practices and as a guide in the selection of conventions and procedures.

Accounting Principles Board

Founded in 1959 to replace the Committee on Accounting Procedure, the Accounting Principles Board was the senior technical committee of the American Institute of Certified Public Accountants authorized to issue pronouncements on accounting principles on behalf of the Institute. During its tenure, which ended in 1973, the Board was periodically engulfed in controversy until, in the end, its critics exceeded its supporters in influence. It was superseded by the Financial Accounting Standards Board.
Accounting Research Bulletins

A series of official pronouncements issued between 1939 and 1959 by the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. In 1953, the Committee issued Bulletin 43, which codified and superseded the previous 42 Bulletins on accounting procedures. The Bulletins, while not formally binding on members of the Institute, were clothed with authority by the Securities and Exchange Commission, which normally required that they be implemented by corporations subject to its jurisdiction.

Accrual

1. The recognition of events and conditions in the period they occur, rather than in the period of their receipt, or payment.
2. The partial recognition of an item of revenue or expense and its related assets or liability resulting from the lack of coincidence of the accounting period and the contractual or benefit period.

Accrual accounting

The recognizing and reporting of the effects of transactions and other events on the assets and liabilities of the long-term care facility entity on the time period specified rather than only when cash is received or paid.

Accrual basis (of accounting)

The method of accounting whereby revenues and expenses are identified within specific periods of time, such as a month or year, and are recorded as incurred, along with acquired assets, without regard to the date of receipt or payment of cash; distinguished from cash basis.

Accrue

To record revenue or expense in the accounting period benefitted, not withstanding that the required receipt or outlay may take place, in whole or in part, in a preceding or following period.
Accrued depreciation

See accumulated depreciation.

Accrued expense

See accrued liability.

Accrued liability

An amount of interest, wages, or other expense recognized or incurred on and before a given date but not paid; sometimes referred to as accrued expense.

Accrued revenue

Revenue earned, but neither received nor past due.

Accumulated depreciation

The fixed-asset valuation account based on customary or fairly determined rates or estimates of useful life; also known as reserve for depreciation, accrued depreciation, and allowance(s) for depreciation.

Accumulated income (or earnings or profit)

Net income retained and not paid out in dividends or dissipated by subsequent losses: earned surplus or retained earnings.

Active medical staff

Facility-based and non-facility-based physicians, other than interns and residents, who are voting members of and can hold office in the Medical staff organization of the long-term care facility.

Activity

1. The work, or one of several lines of work, carried on within any organization or organizational subdivision.
2. The whole of the work carried on by any organization or individual.

Actual cost

Acquisition or production cost, the former net of discounts and allowances but including transportation and storage costs often averaged for internal-transfer or inventory purposes.

Actuarial basis

A basis compatible with principles followed by actuaries: said of computations involving compound interest, retirement and mortality estimates, and the like.

Addition

An addition does not merely replace a thing previously owned. This includes enlargements and extensions of existing facilities.

Additional (paid-in) capital

Contributions of corporate stockholders credited to accounts other than capital stock; sources: an excess over par or stated value received from the sale or exchange of capital stock, an excess of par or stated value of capital stock reacquired over the amount paid therefore, or an excess from recapitalization; often displayed on the balance sheet as a separate item or in combination with par or stated value and designated paid-in capital; known also as paid-in surplus.

Adjusting (journal) entry

1. The record made of an accounting transaction giving effect to the correction of an error, an accrual, a write-off, a provision for bad debts or depreciation, or the like.

2. (Auditing) Any change in the accounts required by an auditor, expressed in the form of a simple or compound journal entry.
Administrative accounting

That portion of the accounting process generally associated with management: for example, the functions of the controller, internal auditing, and decisions as to prorations, valuations, reserves, charge-offs, and reporting.

Administrative expense

A classification of expense incurred in the general directing of an enterprise as a whole as contrasted with expense of a more specific function, such as nursing services or dietary, but not including income deductions. Items included under this heading vary with the nature of the business, but usually include salaries of top officers and other general-office expense.

Admission

The formal acceptance by an institution of a patient who is to be provided with room, board, continuous nursing service, and other facility services while lodged in the facility.

Advance

1. Payment of cash or the transfer of goods for which an accounting must be rendered by the recipient at some later date.
2. A payment of a contract before its completion.
3. The payment of wages, salaries, or commissions before they have been earned.

Age

The number of years or other time periods an asset or asset group has remained in service at a given date.

AICPA

American Institute of Certified Public Accountants.
Allocate

1. To charge an item or group of items of revenue or cost to one or more objects, activities, processes, operations, or products, in accordance with cost responsibilities, benefits received, or other readily identifiable measure of application or consumption.

2. To distribute the total cost of a lump-sum purchase over the items purchased or departments affected.

3. To spread a cost systematically over two or more time periods.

Allowance

The difference between gross revenue from services rendered and amounts received (or to be received) from patients or third party payors. Allowances are to be distinguished from uncollectible accounts resulting from credit losses.

Ambulatory care

Health services rendered to persons who are not confined overnight in a health care facility. Ambulatory care services are often referred to as "outpatient" services.

Amortization

1. The gradual extinguishment of any amount over a period of time: as, the retirement of a debt by serial payments to the creditor or into a sinking fund; the periodic writedown of an insurance premium or a bond premium.

2. A reduction of the book value of a fixed asset; a generic term for the depreciation, depletion, writedown, or writeoff of a limited-life asset.

Ancillary services

Diagnostic or therapeutic services performed by specific facility departments as distinguished from general or routine patient care such as room and board.
Apportionment

The distribution of a cost over several periods of time in proportion to anticipated benefits.

Appreciation

Increase in value of property; the excess of the fair market value of property over book value.

Asset

Any owned physical object (tangible) or right (intangible) having economic value to its owner; an item or source of wealth expressed, for accounting purposes, in terms of its cost or depreciated cost. Any cost benefiting a future period.

Audit

1. The examination of contracts, orders, and other original documents for the purpose of substantiating individual transactions before their settlement.

2. Any systematic investigation or appraisal of procedures or operations for the purpose of determining conformity with prescribed criteria; the work performed by an internal auditor.

3. (Auditing) An exploratory, critical review by a public accountant of the underlying internal controls and accounting records of a business enterprise or other economic unit, precedent to the expression by him of an opinion of the propriety ("fairness") of its financial statements.

Available beds

The daily average complement of beds physically existing and actually available for overnight use, regardless of staffing levels. Do not include beds in nursing units converted to uses other than inpatient overnight accommodations which cannot be placed back into service within 24 hours.
Average daily inpatient census

Average number of inpatients (based on the daily inpatient census) present each day for a given period of time.

Average length of stay

Calculated two different ways: (1) the average number of days of service rendered to each inpatient discharged during a given period; or (2) total patient (census) days divided by total discharges for the period.

Average life

The estimated useful-life expectancy of a group of assets subject to depreciation.

Bad debt

An uncollectible receivable.

Balance

1. The difference between the total debits and the total credits of an account.
2. The equality of the total debit balances and the total credit balances of the accounts in a ledger.
3. Agreement of the total of the account balances in a subsidiary ledger with its general-ledger control.

Balance sheet

A statement of financial position of an economic unit, or component thereof, reported at a given moment of time its assets (at cost, depreciated cost, or other indicated value), liabilities, and its ownership equities recorded under an accounting system.

Bed turnover rate

The number of times a health facility bed, on the average, changes occupants during a given period of time.
Benefit

The service or satisfaction yielded by an expenditure.

Betterment

An expenditure having the effect of extending the useful life of an existing fixed asset, increasing its normal rate of output, lowering its operating cost, increasing rather than merely maintaining efficiency or otherwise adding to the worth of benefits it can yield.

Board-designated funds

Unrestricted funds set aside by the governing board for specific purposes or projects.

Board-designated investment funds

Unrestricted funds which, at the discretion of the governing board, have been designated for investment to produce income as if they were endowment funds.

Bonds

1. A certificate of indebtedness, in writing and often under seal.
2. An obligation in writing, binding one or more parties as surety for another.

Bond discount

The excess of the face amount of a bond or class of bonds over the net amount yielded from its sale. On the bonds and balance sheet of the issuer it appears as a deferred charge.

Bond premium

The net amount yielded by the sale of a bond or class of bonds in excess of its face value. On the books and balance sheet of the issuer it appears as a deferred credit.
Book inventory

1. An inventory which is not the result of actual stocktaking but of adding the units and the cost of incoming goods to previous inventory figures and deducting the units and cost of outgoing goods.

2. The balances of materials or products on hand in quantities, dollars, or both, appearing in perpetual-inventory accounts.

Book of original entry

A record book, recognized by law or custom, in which transactions are successively recorded, and which is the source of postings to ledgers; a journal. Books of original entry include general and special journals, such as cashbooks and registers of sales and purchases.

Book value (or cost)

1. The net amount at which an asset or asset group appears on the books of account, as distinguished from its market value or some intrinsic value.

2. The face amount of a liability less any unamortized discount and expense.

3. As applied to capital stock:

   (a) the book value of the net assets;

   (b) in a corporation, the book value of the net assets, divided by the number of outstanding shares of capital stock.

Capital asset

An asset intended for continued use or possession, common subclassifications being:

(a) land, buildings and equipment, leaseholds, mineral deposits, timber preserves (fixed assets);

(b) goodwill, patents, trademarks, franchises (intangibles);

(c) investments in affiliated companies.
Capital expenditure

An expenditure intended to benefit future periods, in contrast to a revenue expenditure, which benefits a current period; an addition to a capital asset. The term is generally restricted to expenditures that add fixed-asset units or that have the effect of increasing the capacity, efficiency, life span, or economy of operation of an existing fixed asset.

Capital lease

A lease which meets at least one of the following four criteria:

1. The present value of the minimum lease payments is 90% or more of the fair value of the property to the lessor.

2. The lease term is 75% or more of the leased property's estimated economic life.

3. The lease life contains a bargain (less than fair value) purchase option.

4. Ownership is transferred to the lessee by the end of the lease terms. (See FASB Statement No. 13 for further details.)

Capitation fee

A fixed amount for individual that is paid periodically to a provider as compensation for providing comprehensive health.

Capitalize

1. To record and carry forward into one or more future periods any expenditure, the benefits or proceeds from which will then be realized.

2. To add to a fixed-asset account the cost of plant additions, improvements, and expenditures having the effect of increasing the efficiency or yield of a capital asset or making possible future savings in cost from its use.

3. To transfer surplus to a capital-stock account, as the result of the issue of a stock dividend, a recapitalization, or, under the laws of some states, resolution of the board of directors.

4. To discount or calculate the present worth of the projected future earnings of an asset or business.
Cash basis

A basis of keeping accounts, in contrast to the accrual basis, whereby revenue and expense are recorded on the books of account when received and paid, respectively, without regard to the period benefitted. The cash basis is a frequently unsatisfactory variation of the accrual basis, but in instances where transactions are limited to cash revenue and outgo, the two methods may virtually coincide.

Certificate of deposit

1. A formal instrument, frequently negotiable or transferable, issued by a bank as evidence of indebtedness and arising from a deposit of cash subject to withdrawal under the specific terms of the instrument:
   (a) demand certificates, payable upon presentation, seldom bearing interest;
   (b) time certificates, payable at a fixed or determinable future date, usually bearing interest at a specified rate.

2. A formal certificate, usually printed or engraved, ordinarily negotiable or transferable, and issued by a depository or agent against the deposit of bonds or stock of a corporation under the terms of a reorganization plan or other agreement.

Chain organization

A health care or other organization consisting of a group of two or more facilities which are owned, leased or through any other device, controlled by one business entity.

Chart of accounts

A systematically arranged list of accounts, giving account names and numbers. A chart of accounts, accompanied by descriptions of their use and of the general operation of the books of account, becomes a classification or manual of accounts.

Classification of accounts

A list of accounts, systematically grouped (chart of accounts), suitable for a particular organization, with descriptions setting forth the meaning, function, and content of each account and the relation of one to another.
Clearing account

A primary account containing costs that are to be transferred to other accounts: an intermediate account to which is transferred a group of costs or revenues or a group of accounts containing costs or revenues and from which a distribution of the total is made to other accounts.

Community care facility

Any facility, place or building which is maintained and operated to provide nonmedical residential care, day care, or homefinding agency services for children and/or adults including, but not limited to, the developmentally disabled, physically handicapped, mentally disordered, or incompetent persons, and includes any residential facility, day facility and homefinding agency.

Congregate care

Residential home which provides inpatient care including the following basic services: medical supervision, 24-hour skilled nursing and supportive care, pharmacy, dietary, social recreational; and one of the following:

(a) services for mentally alert, physically disabled, who be ventilator dependent;

(b) services for persons diagnosed with a terminal illness;

(c) services for persons who are catastrophically and severely disabled.

Consistency

Continued uniformity, during a period or from one period to another, mainly in valuation bases and methods of accrual, as reflected in the financial statements of a business enterprise or other accounting or economic unit.

Contract service

Services performed in whole or part by an outside organization on a contractual basis.
Contractual adjustment

The difference between billings at established charges and amounts received or due from third-party payors under contract agreements - similar to a trade discount.

Contributed capital

The payments in cash or property made to a corporation by its stockholders

(a) in exchange for capital stock;

(b) in response to an assessment on the capital stock, or

(c) as a gift; paid-in capital.

Contributed services

See donated services.

Control

The process by which the activities of an organization are conformed to a desired plan of action and the plan is conformed to the organization's activities.

Control (or controlling) account

An account containing primarily totals of one or more types of transactions the detail of which appears in a subsidiary ledger or its equivalent. Its balance equals the sum of the balances of the detail accounts.

Cost

An expenditure or outlay of cash, other property, capital stock, or services, or the incurring of a liability therefore, identified with goods or services acquired or with any loss incurred, and measured by the amount of cash paid or payable or the market value of other property, capital stock, or services given in exchange or, in other situations, any commonly accepted basis of valuation. Implicit in the concept of cost is the accrual basis of accounting.
Cost allocation

The apportionment or allocation of the costs of non-revenue producing cost centers to each other, and to revenue producing centers on the basis of the statistical data that measure the amount of service rendered by each center to other centers. The purpose of cost allocation is to determine the total of all costs of operating each revenue producing center of a health facility.

Cost center

An organizational division, department, or unit performing functional activities within a facility; for each such center, cost accountability is maintained for revenues produced and for controllable expenses incurred.

Cost finding (Health care)

See cost allocation.

Current assets

Unrestricted cash, or other assets held for conversion within a relatively short period into cash or other readily convertible asset, or currently useful goods or services. Usually the period is one year or less, however, in some enterprises the period may be extended to the length of the operating cycle, which may be more than a year. The five customary subdivisions of current assets are cash, temporary investments, receivables, inventory, and prepaid expenses.

Current liability

A short-term debt, regardless of its source, including any liability accrued and deferred and unearned revenue that is to be paid out of current assets or is to be transferred to income within a relatively short period, usually one year or less, or a period greater than a year but within the operating cycle of an enterprise. The current maturing portion of long-term debt is classified as a current liability unless it is to be paid from a sinking fund or other noncurrent asset source.

Daily inpatient census

The number of inpatients present at the census-taking time each day, plus any inpatients who were both admitted and discharged after the census-taking time the previous day.
Generally the inpatient census is taken each midnight. However a facility may designate and consistently use any other specified hour for census taking.

**Date of acquisition**

The effective purchase date of an asset. Usually, this is the date title is acquired or the burdens of ownership are assumed and the asset is in possessing.

**Deductible**

Under the Medicare program that portion of covered long-term care facility and medical charges which an insured person must pay before his policy benefits begin. Proposed as a mechanism to discourage over-utilization or to avoid processing small claims.

**Deductions from revenue**

Reductions in gross revenue arising from contractual adjustments, courtesy and policy discounts, and other adjustments and deductions.

**Deferral (or deferment)**

The receipt or accrual of revenue before it is earned, or the incurrence of an expenditure before the benefits are received.

**Deferred charge**

An expenditure not recognized as a cost of operations of the period in which incurred but carried forward to be written off in one or more future periods.

**Deferred credit**

Revenue received or recorded before it is earned, i.e., before the consideration is given, in whole or in part, for which the revenue was received or is to be received.

**Department**

A cost center, operating unit, or area; a function; an activity.
Depreciable cost

That part of the cost of a fixed asset that is to be spread over its useful life; i.e., cost less the estimated recovery from resale or salvage.

Depreciation

Lost usefulness; expired utility; the diminution of service yield from a fixed asset or fixed-asset group that cannot or will not be restored by repairs or by replacement of parts.

Depreciation fund

Money or marketable securities set aside for the purpose of replacing or providing assistance in replacing depreciable fixed assets.

Developmentally disabled patient

A person with a disability attributable to mental retardation, cerebral palsy, epilepsy, or other neurologically handicapping condition found to be closely related to mental retardation or to require treatment similar to that required for mentally retarded children. Such disability originates before an individual attains age 18, continues, or can be expected to continue, indefinitely and constitutes a substantial handicap for such individual.

Direct cost

The cost of any good or service that contributes to and is readily traceable to product or service output.

Direct expense

See direct cost.

Direct recording of cost

The process of identifying and assigning costs directly to the functional cost center generating those costs.
Discharge

The termination of lodging and the formal release of an inpatient by the facility. Since deaths are a termination of lodging, they are also inpatient discharges.

Discount earned

A reduction in the purchase price of a good or service because of early payment.

Discrete unit

A separately organized, staffed and equipped unit of the facility.

Distinct part (Health care)

(1) A physically identifiable unit within a skilled nursing facility, separated from the rest of the facility and used for a specific purpose or program. (2) A physically identifiable skilled nursing unit within an acute care hospital.

Distribution

1. Any payment of cash, property, or shares, including any of the various forms of dividends to stockholders or owners; in noncorporate enterprise; a withdrawal.

2. A spread of revenue, expenditure or capital additions to various accounts; an allocation.

3. Disposal of a product by sale.

Donated commodities

Gifts of supplies and other materials such as medicines, blood, linen, and office supplies which are normally purchased by the institution, and are recorded on the books at their fair market value at the date of donation regardless of when actual receipt takes place.

Donated services (Health care)

The estimated fair monetary value, based on a facility's compensation policies, of services related to patient care or in administrative positions essential to provision of patient care performed by individuals who receive no monetary compensation or partial compensation.
for their services but in which there is an employer-employee relationship between the individual and the facility. The term is usually applied to services rendered by members of religious orders, societies, or similar groups to institutions operated by or affiliated with such institutions.

Donor-restricted funds

(See Restricted funds)

Due from other funds (governmental and institutional accounting)

A receivable for money loaned, stores issued, work performed, or services rendered to or for the benefit of another fund.

Due to other funds (Governmental and institutional accounting)

A payable for money borrowed, stores received, work performed, or services from another fund.

Earned

Realized or accrued as revenue through sales of goods, services performed, or the lapse of time.

Employee

As distinguished from an independent contractor, a person subject to the will and control of an employer with respect to what the employee does and how he does it and is on the payroll of the facility.

Employee benefit

A pension provision, retirement allowance, insurance coverage, paid vacation, sick leave, and holiday time off or other cost representing a present or future return to an employee, which is neither deducted by payroll nor paid for by the employee.
Encounter

A face-to-face contact between a patient and a provider who has primary responsibility for assessing and treating the condition of the patient at a given contact and exercises independent judgement in the care of the patient.

Encumbrance (Governmental accounting)

1. An anticipated expenditure, evidenced by a contract or purchase order, or determined by administrative action.
2. Commitment.
3. Any lien or other liability attaching to real property.

Endowment fund

A fund, usually of a non-profit institution, arising from a bequest or gift, the income of which is devoted to a specified purpose.

Enterprise

Any business undertaking; an entire organization rather than a subdivision thereof.

Equity

1. Any right or claim to assets.
2. An interest in property or in a business, subject to claims of creditors.

Equity ownership

1. The interest of an owner in property, a business, or other organization, subject, in case of liquidation, to prior claims of creditors.
2. The interest (paid-in capital and retained earnings) of a stockholder or of stockholders collectively in a corporation; proprietorship.
Estimated useful life

Expected operating or service life of an asset or asset group in terms of utility to the facility.

Examination

Audit.

Exception

A qualification by an auditor in his report, indicating a limitation as to the scope of his audit, disagreement with, or doubt concerning an item in the financial statement on which he is reporting.

Exhibit

A financial or other statement of a formal character prepared for the information of others, as in an auditor's report.

Expected life

Expected length of life or years of service of an asset or asset group at a particular moment of time.

Expendable fund

A fund the assets of which may be applied by administrative action to specific or general purposes.
Expenditure

1. The incurring of a liability, the payment of cash, of the transfer of property for the purpose of acquiring an asset, service, or settling a loss.

2. The amount of cash, property paid or to be paid for a service rendered, or an asset purchased.

3. Any cost, the benefits of which may extend beyond the current accounting period.

Expense

Expired cost; any item or class of cost of (or loss from) carrying on an activity; a present or past experience defraying a present operating cost or representing an irrecoverable cost or loss.

Expense center

Any location within an organization at which the coincidence of organization and function has been recognized: an activity.

Expired cost

An expenditure from which no further benefit is anticipated; an expense; a cost absorbed over the period during which benefits were enjoyed or a loss incurred.

External audit

An audit by a person who is not an employee; an independent audit.

Extraordinary item

An item which is both unusual in nature and infrequent in occurrence. This item requires special treatment in the accounts or separate disclosure in the financial statements.
Facility

A coordinated group of fixed assets—land, buildings, machinery, and equipment—constituting a plant.

Fair market value

1. Value determined by bona fide bargaining between well-informed buyers and sellers, usually over a period of time.

2. An estimate of such value, in the absence of sales or quotations.

FASB

See Financial Accounting Standards Board.

Fidelity bond

Insurance against losses arising from dishonest acts of employees involving money, merchandise, or other property.

Fiduciary

Any person responsible for the custody or administration, or both, of property belonging to another; as, a trustee.

Financial accounting

The accounting for revenues, expenses, assets, and liabilities that is commonly carried on in a business.

Financial Accounting Standards Board (FASB)

A quasi-independent organization established in 1973 by the AICPA - Sponsored Financial Accounting Foundation for the purpose of developing principles for financial reporting by business enterprises.
Financial statement

A balance sheet, income statement, funds statement, or any supporting statement or other presentation of financial data derived from accounting records.

Fiscal year

1. An accounting period of 12 successive calendar months, or of 52 successive weeks plus an additional day (two days in leap years) at the period end; or under strict adherence to weekly accounting periods, the fiscal year may from time to time consist of 53 weeks, thus avoiding a terminal date not more than three days preceding or following the end of the calendar year.

2. A 12-month period ending with the last day of any month other than December; a usage defined in section 441(e) of the Federal Internal Revenue Code.

3. A period consisting of 13 four-week periods with the year always ending on the same day of the week, but not necessarily on the last day of the month.

Fixed asset

1. A tangible asset held for the services it yields in the production of goods and services.

2. A balance sheet classification denoting capital assets other than intangibles and investments in affiliated companies or other long term investments. Included in the usual fixed-asset categories are land (from which the flow of services is seemingly permanent), buildings; building equipment, fixtures, machinery, tools (large and small), furniture, office devices, patterns, drawings, dies, and often containers; generally excluded are goodwill, patents, and other intangibles. The characteristic fixed asset has a limited life (land is one important exception), and, in organizations where expenses are accounted for, its cost, less estimated salvage at the end of its useful life, is distributed over the periods it benefits by means of provisions for depreciation.

Fixed capital

The investment in capital assets.
Fixed cost (or expense)

An operating expense, that does not vary with business volume. Examples: interest on bonds; rent; property tax; depreciation (sometimes in part); minimal amounts of general overhead. Fixed costs are not fixed in the sense that they do not fluctuate or vary; they vary, but from causes independent of volume.

Fringe benefit

See employee benefit.

Full time equivalent employee (FTE)

An objective measurement of the personnel employment of a facility in term of full time labor capability. To calculate the number of full-time equivalent employees, sum all hours for which employees were paid (whether worked or not) during the year and divide by 2080.

Function

1. The general end or purpose sought to be accomplished by an organizational unit. Examples: administrative services; skilled nursing; physical therapy; research; plant operations and maintenance; dietary.

2. A group of related activities serving a common end.

3. A collection of activities having related purposes.

Functional

Adapted to and capable of performance; a function or service performed by one organizational unit for another.

Functional Accounting

Accounting by functions and activities.

Functional classification

The grouping of expenses according to the operating purposes (e.g., patient care, education, research) for which costs are incurred.
**Fund**

A self-contained accounting entity set up to account for a specific activity or project.

**Fund account**

Any account reflecting transactions of a fund.

**Fund accounting**

Maintenance of separate and or group accounts for health facility resources according to spending objectives set by donors, other outside sources, or the governing body.

**Fund asset**

An asset belonging to a particular fund or a group of funds.

**Fund balance**

The excess of assets over liabilities (net equity). An excess of liabilities over assets is known as a deficit in fund balance.

**Fund balance sheet**

A balance sheet divided into self-balancing sections, each of which shows the assets and liabilities of a single fund or group of related funds.

**Funded debt**

Debt evidenced by outstanding bonds or long-term notes.

**Funded reserve**

A pension reserve, a reserve for bonuses or for the retirement of preferred stock, or other prospective future liability against which certain assets have been accumulated and set aside or earmarked.
Fund group

A group of funds of similar character which are brought together for administrative and reporting purposes. Examples: current funds; loan funds; endowment funds; plant funds; agency funds.

Fund liability

A liability of a fund which is to be met out of its existing resources.

Funds held in trust by others

Funds held and administered, at the direction of the donor, by an outside trustee for the benefit of a facility.

GAAP

Generally Accepted Accounting Principles.

Gain or loss

The net result of a concluded transaction of an operating period, following the application of generally accepted accounting principles.

General fund (Governmental and institutional accounting)

The assets and liabilities available for general purposes, as distinct from funds established for specific purposes.

General journal

Transactions recorded in journals not provided for in specialized journals.

General ledger

A ledger containing accounts in which all the transactions of a business enterprise or other accounting unit are classified either in detail or in summary form.
Generally accepted

Given authoritative recognition; said of accounting principles or audit standards, and the pronouncements concerning them, particularly, in recent years, those of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board.

Geriatric Care

Treatment of the aged.

Gift

Any voluntary conveyance of assets gratuitously made and not in consideration of any kind of exchange.

Goodwill

The excess of the price paid for a business as a whole over the book value or over the computed or agreed value of all tangible net assets purchased. Normally, goodwill thus acquired is the only type appearing on books of account and in financial statements.

Governing Board

The policy-making board of the long-term care facility. Some of the responsibilities usually attributed to the governing board may be assumed by appropriate committees.

Gross

Undiminished by related deductions, except corrections; applied to sales, revenues, income, expense, and the like.

Gross charges (gross revenue)

The total charges at the long-term care facility's full established rates for services rendered and goods sold (including patient related and non-patient related).
Gross square feet

The total floor areas of the plant, including common areas (hallways, stairways, elevators, lobbies, closets, etc.).

Health facility

Any licensed facility, place, or building which is organized, maintained and operated for the diagnosis, care and treatment of human illness, physical or mental. Includes convalescence and rehabilitation and includes care during and after pregnancy, or for any one or more of these purposes, for one or more persons, to which such persons are admitted for a 24-hour stay or longer.

Health related care

Care, other than medical, that is performed by qualified personnel and pertains to protective, preventive, personal and social services.

HFMA

Hospital Financial Management Association.

Historical cost

The amount of cash or cash equivalent given in exchange for properties or services at the time of acquisition.

Health Maintenance Organization (HMO)

A generic set of Medi-Cal care organizations organized to deliver and finance health care services. An HMO provides comprehensive health care services to enrolled members for fixed, prepaid fees (premiums).

Home health aide services

Homemaking services for the purpose of restoring health or minimizing the effects of illness and disability. Homemaking services include personal care, housekeeping, shopping, meal preparation, and laundry services.
Home nursing care

Nursing care rendered in the patient's home.

Home office

The office of the controlling organization. This office generally incurs costs and provides services to or on behalf of the individual health facility.

Home physician medicine care

Home treatment using the aid of physical agents such as light, heat, cold, water or mechanical apparatus.

Home dialysis care

Instruction on the use of a dialysis machine in the home.

Home hospice care

Home care of a chronically ill person with the objective of maintaining a comfortable lifestyle through the terminal phases of dying.

Home I.V. therapy services

Home services relating to the maintenance of intravenous treatment.

Home social services care

Services of a social worker performed in a home of a patient according to a plan of care.

Hospital

An establishment with an organized medical staff; with permanent facilities that include inpatient beds; and with medical services, including continuous nursing services, that provide diagnosis and treatment for patients.
Hospital-based physician

A physician who spend the predominant part of his practice time within one or more facilities instead of in an office setting, or providing services to one or more facilities or their patients. Such physicians have either a special financial arrangement with the facility (salary or percentage of fees collected) or bills patients separately for his/her services. Such physicians include directors of medical education, pathologists, anesthesiologists and radiologists, as well as physicians who staff emergency rooms and outpatient departments.

Imprest cash

See imprest fund.

Imprest fund

A fixed cash fund or petty cash fund in the form of currency, a bank checking account, or both, maintained for expenditures that must be made in cash, and from time to time restored to its original amount by a transfer from general cash of a sum equal to the aggregate of disbursements; a form of working fund.

Imprest system

The system under which imprest cash is disbursed and from time to time restored to its original amount through reimbursements equal to sums expended. Implicit in the concept is the review by a higher authority of the propriety of the expended amounts before reimbursement is approved.

Improvement

1. Betterment.

2. The clearing, draining, grading, or other addition to the worth of a tract of land; any cost of developing real estate, whether paid for directly or through special assessment taxes.

3. A betterment of leased property or plant.
Income realization

The recognition of income, the usual test being the passage of title, delivery of goods, or the performance of services.

Income statement

A summary of the revenues and expenses of an accounting unit, or group of such units, for a specified period.

Increment

An increase in value from one point of time to another, without reference to cost or book value.

Indirect cost

A functional cost not attributed to the production of a specified good or service but to an activity associated with production generally.

Indirect liability

1. An obligation not yet incurred but for which responsibility may have to be assumed in the future; as, the possible liability from the premature settlement of a long-term contract.

2. A debt of another, as the result of which an obligation to pay may develop; a contingent liability.

Inpatient

A person who is provided with room, board, and continuous nursing service in a health facility where the patient stays overnight.

Inpatient admission

The formal acceptance by a health facility of a patient who is to be provided with room, board, and continuous nursing service in an area of the health facility where patients generally stay at least overnight.
Inpatient bed count

The number of available health facility inpatient beds, both occupied and vacant, on any given day.

Inpatient bed count day

A unit of measure denoting the presence of one inpatient bed (either occupied or vacant) set up and staffed for use in one 24-hour period.

Inpatient bed count days (total)

The sum of inpatient bed count days for each of the days in the period under consideration.

Inpatient bed occupancy ratio

The proportion of inpatient beds occupied, defined as the ratio of inpatient service days to inpatient bed count days in the period under consideration.

Inpatient census

See daily inpatient census.

Inpatient discharge

The termination of period of inpatient care through the formal release of an inpatient by a health care facility.

Intangible asset

A capital asset having no physical existence, its value being limited by the rights and anticipative benefits that possession confers upon the owner.
Intensive care

Services provided in a routine patient care unit to patients which require extraordinary observation and care on a concentrated exhaustive and continuous basis.

Interfund transfer

The transfer of money, other assets, or of a liability from one fund to another.

Intermediate care facility

A licensed health facility which provides inpatient care to ambulatory or semi-ambulatory patients who have recurring need for skilled nursing supervision and need supportive care, but who do not require availability of continuous skilled nursing care.

Internal control

Internal control, a management function, is a basic factor operating in one form or another in the administration of every organization, business or otherwise. Although sometimes identified with the administrative organism itself, it is often characterized as the nervous system that activates overall operating policies and keeps them within practicable performance ranges.

The principal elements contributing to internal control are usually these:

1. Recognition that within every organizational unit there are one or more functional or action components known as activities, cost or responsibility centers, or management units;

2. Delegated operating authority in each organizational unit permitting freedom of action within defined limits;

3. The linking of expenditures--their incurrence and disposition--with specified individual authority;

4. End product planning:

   (a) by means of a budget fitted to the organizational structure and to its functional components, thus maintaining dual forward operating disciplines; and

   (b) the adoption of standards of comparison and other performance measurements such as standard costs, quality controls and timing goals;
5. An accounting process that provides organizational and functional administrators with prompt, complete, and accurate information on operating performance, and comparisons with predetermined performance standards;

6. Periodic reports, consonant with accounting and related records, by activity heads to supervisory management; reports serving as feedbacks of informative pictures of operations, and as displays of favorable and unfavorable factors that have influenced performance;

7. Internal check, built into operating procedures, and providing maximum protection against fraud and error;

8. Frequent professional appraisals, through internal audit, of management and its policies and operations generally, as a protective and constructive management service, its emphasis varying with the quality of operating policies and their administration; and

9. The construction of the above controls in such a manner as to stimulate and take full advantage of those natural attributes of individual employees the recognition and exercise of which may obviate the need for some internal controls and determine the extent and rigidity of others.

### Inventory control

The control of merchandise, materials, goods in process, finished goods, and supplies on hand by accounting and physical methods. An accounting control is effected by means of a stock or stores ledger, mechanical storage records, or a ledger account in which the quantities or amounts (or both) of goods received during an accounting period are added to corresponding balances at the beginning of the period and amounts of goods sold or otherwise disposed of are deducted at a calculated cost based on individual identification or any of various methods of averaging. Physical controls consist of various plans of buying, storing, handling, issuing, supervising, and stocktaking. Stockledger control is made more effective by physical control in the nature of a continuous check of the goods on hand.

### Inventory valuation

The determination of the cost or the portion of cost assignable to on-hand raw materials, merchandise held for resale, and supplies based on any generally accepted method consistently applied.
Invested capital

1. The amount of capital contributed to a business by its owners' capital.
2. The amount so contributed, plus retained earnings (or less accumulated losses) and appropriated surplus.

Investor-owned (proprietary) long-term care facility

A long-term care facility owned by a person, an unincorporated group of people, or a corporation. Operation of this type of long-term care facility is usually intended to return a monetary gain to the investors; but may include instances where individuals own and operate long-term care facility primarily for community benefit.

Invoice

A document showing the character, quantity, price, terms, nature of delivery, and other particulars of goods sold or of services rendered.

Invoice cost

Cost incurred by a buyer and reflected on an invoice which, unless otherwise specified, is net after deducting trade discounts.

Irrevocable trust

A trust that cannot be set aside by its creator.

Lease

A conveyance of land or of the use of a building or a part of a building or equipment from one person (lessor) to another (lessee) for a specified period of time, in return for rent or other compensation.

Leasehold

An interest in land, buildings and equipment under the terms of a lease, normally classified as a (tangible) fixed asset.
Ledger control

The control of a subsidiary record or ledger by the use of a control account. Ledger control is limited to a proof that all items were recorded in the subsidiary record or that they were accurately made, as required, to the debit and credit sides of that record. It does not furnish proof that every item was recorded in its proper account in the subsidiary record.

Length of stay (for one patient)

The number of calendar days from admission to discharge, counting the day of admission but not the day of discharge.

Liability

An amount owing by one person (a debtor) to another (a creditor), payable in money, or in goods or services: the consequence of an asset or service received or a loss incurred or accrued; particularly, any debt

(a) due or past due (current liability),
(b) due at a specified time in the future (e.g., funded debt, accrued liability), or
(c) due only on failure to perform a future act (deferred income, contingent liability).

Licensed beds

Health facility beds licensed by the Department of Health Services under Section 1250 of the Health and Safety Code.

Licensed Vocational Nurse (LVN) student program

An L.V.N. program is for a person in the process of completing a nursing program approved by the Board of Vocational Nurse and Psychiatric Technician Examiners. In such a program, 1530 hours of study and concurrent practice are required with clinical supervision done by the program instructor in an affiliated hospital or health facility.
Life care contract

A form of life insurance policy which assures a place to live and necessary health care for the rest of the member's lives.

Limited-life asset

Any capital asset, as a building, machine, or patent, the usefulness of which to its owner is restricted by its physical life or by the period during which it contributes to operations.

Liquid asset

Cash in banks and on hand, and other cash assets not set aside for specific purposes other than the payment of a current liability, or a readily marketable investment. The term is somewhat less restrictive than cash asset and much more restrictive than quick asset.

Living trust funds

Funds acquired by a facility subject to agreement whereby resources are made available to a facility on the condition that a facility pay periodically to a designated person, or persons, the income earned on the resources acquired for the lifetime of the designated person, or persons, or for a specified period.

Long-term health care facility

Any facility which is separately licensed as an intermediate care or skilled nursing facility.

Maintenance

Effort expanded to maintain assets in operating condition to do their work; such items are ordinary and recurring and do not improve the asset or add to its life. A useful distinction between maintenance as preventive and repairs as curative.
Management

1. Executive authority; the combined fields of policy and administration.

2. As applied to individuals:
   (a) the head of an organization; or
   (b) collectively, the head and his immediate staff and any or all persons possessing supervisory persons' delegated authority;

Materiality

1. The relative importance, when measured against a standard of comparison, of any item included in or omitted from books of account or financial statements, or of any procedure or change in procedure that conceivably might affect such statements.

2. The characteristic attaching to a statement, fact, or item whereby its disclosure or the method of living it expression would be likely to influence the judgment of a reasonable person.

Medicaid (Title XIX)

A Federally-aided, State operated and administered program which provides medical benefits for certain low-income persons in need of health and medical care. The program, authorized by Title XIX of the Social Security Act, is basically for the poor. It does not cover all of the poor, however, but only persons who are members of one of the categories of people who can be covered under the welfare cash payment programs--the aged, the blind, the disabled, and members of families with dependent children where one parent is absent, incapacitated or unemployed. Subject to broad Federal guidelines, states determine the benefits covered, program eligibility, rates of payment for providers, and methods of administering the program.

Medi-Cal

A state-administered third-party reimbursement program designed to underwrite health facility costs of the medically indigent and those on certain public welfare programs.
Medical director

A physician who acts as a liaison between facility administration and attending physicians, reviews and evaluates facility patient care policies. The medical director also acts as a consultant to director of nursing services in patient care matters.

Medical record

A record kept on patients which properly contains sufficient information to identify the patient clearly, to justify his diagnosis and treatment, and to document the results accurately. The purposes of the record are to serve as the basis for planning and continuity of patient care; provide a means of communication among physicians and any professional contributing to patient's care; furnish documentary evidence of the patient's course of illness and treatment; serve as a basis for review, study, and evaluation; serve in protecting the legal interests of the patient, hospital, and responsible practitioner; and provide data for use in research and education. Medical records and their contents are not usually available to the patient himself. The content of the record is usually confidential. Each different provider in a community caring for a given patient usually keeps an independent record of that care.

Medical records librarian

The Medical Records Librarian is responsible for the maintenance of the permanent medical record files of the patients. This employee also assists the medical staff in research projects; prepares periodic and statistical reports; provides information to authorized persons and reviews medical records for completeness and accuracy.

Medical services

The services pertaining to medical care that are performed at the direction of a physician on behalf of patients by physicians, dentists, nurses, and other professional and technical personnel.

Medicare

A third-party reimbursement program administered by the Social Security Administration that underwrites the medical costs of persons 65 and over and some qualified persons under 65. The two types of services are "Part A" which covers provider services and "Part B" which covers physicians' services.
Mentally disordered patient

A person with a chronic psychiatric impairment whose adaptive functioning is moderately impaired. This patient requires continuous supervision and can be expected to benefit from an active rehabilitation program effort designed to improve his adaptive functioning and develop a potential for placement in a less protected living environment.

Modernization

Includes the alteration, expansion, major repair (to the extent permitted by regulations) remodeling, replacement, and renovation of existing buildings (including initial equipment thereof and the replacement of obsolete equipment of existing buildings).

Net

Diminished by all relevant and commonly associated deductions.

Net square feet

Gross square feet of a building less common areas. To determine net square feet, the number of square feet in each cost center of the facility may be determined either by a physical measurement of the long-term care facility or by a measurement from blueprints. Floor area measurements should be taken from the center of walls to the center of adjoining corridors if a hallway services more than one cost center. Exclude stairwells, elevators, and other shafts, commonly used (lobbies, etc.) and idle areas. Idle areas are those areas that are closed off or unused for a period of time. Hallways, waiting rooms, storage areas, etc., serving only one cost center should be included in that cost center. The effect of using only usable space in the allocable floor area is to allocate the non-productive space (commonly used and idle area) among the cost centers in the ratio of space used.

Net worth

The aggregate appearing on the accounting records of the equities representing proprietary interests; the excess of the going-concern's value of assets over liabilities to outsiders; of a corporation, the total of paid-in capital, retained earnings, and appropriated surplus; of a sole proprietorship, the proprietor's account; of a partnership, the sum of the partner's accounts.
Nominal account

Any of the accounts the balances of which are transferred to retained earnings at the close of each fiscal year: so called because such accounts reflect completed transactions or expired costs.

Nonexpendable fund

See Endowment fund, which is the preferred term.

Nonoperating expense

The expense of a long-term care facility which is not directly related to patient care, related patient services, or the sale of related goods. For example, non-operating expenses includes losses on sale of long-term care facility property and retail operations expenses.

Nonoperating revenue

The revenue of a long-term care facility which is not directly related to patient care, related patient services, or the sale of related goods.

Nonprofit (Not-for-profit) corporation

An incorporate charity, or any corporation operated under a policy by which no stockholder or trustee shares in the profits or losses, if any, of the enterprise.

Non-revenue-producing cost centers

These are overhead units, such as dietary and plant operations and maintenance, that provide necessary support services to revenue-producing centers.

Non-routine maintenance and repairs

Maintenance and repair work which is not repetitive and not performed regularly.
APPENDIX B

Nursing services

Services pertaining to the curative, rehabilitative, and preventive aspects of nursing care that are planned, performed, supervised, and/or directed by a registered professional nurse.

Object classification

A method of classifying expenditures according to their natural classification such as salaries and wages, employee benefits, supplies, purchased services, etc.

Obsolescence

The loss in usefulness of an asset; economic activity arising from external causes; disappearing usefulness resulting from invention, change of style, legislation, or other causes having no physical relation to the object affected. It is distinguished from exhaustion, wear and tear, and deterioration in that these terms refer to a functional loss arising out of a change in physical condition.

Occasion of service

A specific identifiable instance of an act of service involved in the medical care of health facility patients.

Occupancy expense

Expense relating to the use of property. Examples: rent, heat, light, depreciation, upkeep, and general care of premises occupied.

On-call pay (standby)

Standby pay is compensation to an employee for being available to work.

Operating budget

A budget covering recurrent revenue and expense.
Operating cost (or expense)

An expense incurred in conducting the ordinary major activities of an enterprise, usually excluding "nonoperating" expense or income deductions.

Operating fund

The funds within the Unrestricted Fund which have not been designated by the governing board of the long-term care facility for special uses.

Operating income (or profit)

The excess of the revenues of a business enterprise over the expenses, excluding income and expense derived from sources other than its regular activities.

Operating lease

A lease which fails to meet all of the following four criteria:

1. The present value of the minimum lease payments of 90% of the fair value of the property to the lessor.
2. The lease term is 75% or more of the leased property's estimated economic life.
3. The lease contains a bargain (less than fair value) purchase option.
4. Ownership is transferred to the lessee by the end of the lease term. (See FASB Statement No. 13 for further details.)

Operating revenue

Operating Revenue includes revenue directly related to the rendering of patient care services and revenue from non-patient care services to patients and sales and activities to persons other than patients.

Organization cost (or expense)

Any cost incurred in establishing a corporation or other form of organization; as, incorporation, legal and accounting fees, promotional costs incident to the sale of securities,
security qualification expense, and printing of stock certificates. These and similar costs constitute, theoretically, an intangible asset of value which continues throughout the life of the corporation and hence, strictly, do not constitute a deferred charge. The organization costs must be amortized over a period of time not less than 60 months.

Organizational unit

Any administrative subdivision of an enterprise, especially one charged with carrying on one or more functions or activities.

Original cost

Outlay for an asset by its owner, not including any adjustments of cost arising from post-acquisition alterations, improvements, or depreciation.

Other operating revenue

Other operating revenue includes revenue from non-patient care services to patients and sales and activities to persons other than patients, and the fair market value of donated commodities.

Outpatient

A person who receives health care services in a health facility without being admitted as an overnight patient. (See Ambulatory Care.)

Outstanding

1. Uncollected or unpaid: said of an account or note receivable or payable, or of a check sent to the payee but not yet cleared against the drawee bank.

2. In the hands of others: said of the units of funded debt of a corporation or of the certificates representing issued shares of capital stock in the hands of the public; treasury stock is defined in terms of shares issued but not outstanding.
Overhead

1. Any cost of doing business other than a direct cost of an output of product or service.

2. A general name for costs of materials and services not directly adding to or readily identifiable with the product or service constituting the main output of an operation.

Ownership

The right to and enjoyment of services or benefits flowing from an asset, usually evidenced by the possession of legal title or by a beneficial interest in the title.

Paid-in capital

The total amount of cash, property, and services contributed to a corporation by its stockholders and constituting a major balance sheet item. It may be reflected in a single account or divided between Capital Stock and additional Paid-in Capital accounts.

Parent company

A controlling company having subsidiaries. Without a trade or business of its own, a parent company may also be termed a holding company.

Part A and Part B Services

Medicare benefits are payable from two funds. Part A services, which, in general, are those rendered by institutions, are reimbursed from funds derived from payroll tax. Part B services, generally medical and surgical physicians' services, and outpatient treatment and diagnosis are reimbursed from the fund created by voluntary premium payments and general federal revenues.

Patient care services revenue

The long-term care facility's full established charges for services rendered to patients regardless of amounts actually paid to the long-term care facility by or in behalf of patients.
Patient (census) day

A unit of measure denoting lodging facilities provided and services rendered to one inpatient between the census taking hour on two successive days. Synonymous terms: inpatient day, inpatient service day, census day, bed occupancy day.

Patient representative

Long-term health care employee paid to assist and advocate for patients who encounter problems with their care.

Payor

A person or organization which pays the long-term care facility for services rendered to patients. This can be the patient and/or third parties such as Medi-Cal, Medicare, Blue Cross, or other private insurance plans.

Payroll distribution

1. An analysis of the total amount of salaries and wages paid or accrued for a period, showing the component amounts to be charged to the various departments, operations, activities, or products affected.
2. The entry by which the amount of salaries and wages paid or accrued for a period is charged in the required detail to the accounts or records.

Payroll records

The records relating to the authorization, computation, distribution, and payment of wages and salaries. They include payrolls, time slips, time-clock cards, withholding authorizations, cancelled payroll checks or receipts for wages paid, wage and salary authorizations and individual earnings records.

Periodic interim payment (PIP)

A plan under which the long-term care facility receives cash payments from third-party payors (usually Medicare) in constant amounts each period. The total of these payments received over a year is the estimated cost of providing services to patients covered by the plan.
Permanent funds

See Endowment funds, which is the preferred term.

Perpetual inventory

A book inventory kept in continuous agreement with stock on hand by means of a detailed record that may also serve as a subsidiary ledger where dollar amounts as well as physical quantities are maintained. Sections of the stockroom are inventoried at short intervals and the quantities or amounts or both are adjusted, where necessary, to the physical count.

Personal property

Property or assets of a temporary and movable character as contrasted with real property.

Petty cash fund

See Imprest fund.

Physical inventory

An inventory determined by observation and evidenced by a listing of the actual count, weight, or measure.

Physical life

Total potential operating life, as contrasted with useful or economic life, which may be much less because of the presence of obsolescence or inadequacy, or both.

Physician

A doctor of medicine or of osteopathy who is fully licensed to practice medicine.

Physician, attending

The physician who has legal responsibility for the care of a patient in a long-term care facility.
APPENDIX B

Plant

Physical properties used for institutional purposes: i.e., land, building, improvements, equipment, and so forth. The term does not include real estate or properties of restricted or unrestricted funds not used for health facility operations.

Plant replacement and expansion funds

Funds restricted by donor or granted for renewal, expansion, or replacement of plant.

Pooled investments

Assets of two or more funds consolidated for investment purposes.

Prepaid expense

An expenditure, often recurrent, for future benefits; a type of deferred charge. Examples: prepaid operating expenses, prepaid rent, taxes, royalties, commissions: unexpired insurance premiums: stationery and office supplies. Such items are classifiable as current assets and constitute a part of working capital: they are charged to future operations on the basis of measurable benefits or on a time or period-charge basis.

Prepay

To pay for a service before its receipt or enjoyment; contrasts with accrue (or the recognition of the receipt or enjoyment of other types of services paid for after their receipt or enjoyment).

Present value

The price a buyer is willing to pay for one or a series of future benefits, the term generally being associated with a formal computation of the estimated worth in the future of such benefits from which a discount or compensation for waiting is deducted.

Principal

A sum on which interest accrues: capital, as distinguished from income.
Prior-period adjustment

An item of income or expense relating to a period prior to the date of financial statements last published, but not recognized until after that date. Normally, if nominal in amount the item is absorbed in the period of discovery without disclosure. If such an item is judged to be material in amount (see materiality), corrected financial statements are required and issued unless its discovery in the prior period would have been impossible, in which case it would appear as an income deduction in the current period. Prior period adjustments may also result from compliance with newly issued statements from the Financial Accounting Standards Board. (See APB Opinion No. 9.)

Procedure

A unit of activity in an ancillary cost center.

Program

Daily health care or ambulatory service category of the patient.

Proprietary accounts

1. The accounts, including nominal accounts, containing the equities of owners.

2. (Governmental accounting), the accounts reflecting the assets and liabilities, and displaying the results of operations in terms of revenue, expense, surplus, or deficit.

Prorate

To assign or redistribute a portion of a cost, such as a joint cost, to a department, operation, activity, or product according to some formula or other agreed-to, often arbitrary, procedure.

Provider

An individual or institution which gives medical care. Institutional providers include a hospital, skilled nursing facility and intermediate care facility. Individual providers include individuals (physicians, dentists, etc.) who practice independently of institutional providers and whose primary activity is the provision of health care to individuals.
Quick asset

A current asset normally convertible into cash within a relatively short period, such as a month. Examples: cash, call loan, marketable security, customer's account, a commodity immediately salable at quoted prices on the open market.

Real estate (or property)

Land and land improvements, including buildings and appurtenances.

Record

A book or document containing or evidencing some or all of the activities of a long-term care facility or containing or supporting a transaction, entry, or account. Examples: a book of account; subsidiary ledger; invoice; contract; correspondence; internal report; minute book.

Refund

An amount paid back or a credit allowed on account of an over-collection; rebate.

Relative value unit

Index number assigned to various procedures upon the relative amount of labor, supplies, and capital needed to perform the procedure. The unit value represents the cost of performing a service relative to some other service which is used as a base, i.e., has a unit value of one.

Remuneration

Compensation of value of service rendered or expense incurred.

Repair

The restoration of a capital asset to its full productive capacity, or a contribution thereto, after damage, accident, or prolonged use, without increase in its previously estimated service life or productive capacity.
Replacement

1. The substitution of one fixed asset for another, particularly of a new asset for an old, or of a new part for an old part. On the books of account, the recognition of the cost of the new asset requires the elimination of the cost of the asset it replaces.

2. The cost at current prices, in a particular locality or market area, of replacing an item of property or a group of assets.

Reporting manual

A handbook of accounting policies, principles, and concepts including a chart of accounts with definitions and standard units of measure, which establishes a foundation for uniform reporting for Health Services Institutions.

Reporting period

The period of time for which an operating statement is prepared. This period shall consist of the 12 consecutive calendar months or 13 four-week periods that begin on the first day of a month with an additional day (two in a leap year) added to the last period to make it coincide with the end of the month.

Reporting principles

The body of doctrine associated with accounting, serving as an explanation of current practices and as a guide in the selection of conventions and procedures.

Reserve

A segregation of retained earnings evidenced by the creation of a subordinate account. The segregation may be temporary or permanent, the purpose being to indicate to stockholders and creditors that a portion of retained earnings is recognized as unavailable for dividends. Examples: reserve for contingencies; reserve for improvements; sinking fund reserve.

Residential facility

Any family home, group home, social rehabilitation facility or similar facility for 24-hour nonmedical care to persons in need of personal services, protection, supervision,
assistance, guidance or training essential for sustaining the activities of daily living or for the protection of the individual.

**Responsibility accounting**

The classification, management, maintenance, review, appraisal of accounts serving the purpose of providing information on the quality, quantity, and standards of performance attained by persons to whom authority has been assigned.

**Restricted funds**

Funds restricted by donors for specific purposes. The term refers to plant replacement and expansion, specific purpose, and endowment funds.

**Retained earnings (or income)**

Accumulated net income, less distributions to stockholders and transfers to paid-in capital accounts.

**Retirement**

The removal of a fixed asset from service, following its sale or the end of its productive life, accompanied by the necessary adjustment of fixed asset and accumulated depreciation accounts.

**Retirement of indebtedness funds**

Funds required by external sources to be used to meet debt service charges and the retirement of indebtedness on plant assets. The term "sinking funds" is sometimes used to describe these funds.

**Revenue**

1. Sales of products, merchandise, and services, and earnings from interest, dividends, rent, and wages; transactions resulting in increases in assets.

2. (Governmental accounting) The gross receipts and receivables of a governmental unit derived from taxes, customs, and other sources, but excluding appropriations and allotments.
Revenue-producing cost centers

Health facility departments providing direct services to patients (such as nursing, physical therapy, and laboratory) and thereby generating revenue.

Revolving fund

A fund from which moneys are continuously expended, replenished, and again expended. Examples: imprest cash; working fund; assets available for loans the repayments of which are available for other loans.

Salvage value

The price at which an asset of any kind can be sold at the end of its estimated life less whatever cost is yet to be incurred.

Schedule

A supporting, explanatory, or supplementary analysis accompanying a balance sheet, income statement, or other statement prepared from the books of account.

Self-responsible (self-pay) patient

A patient who pays either all or part of his long-term care facility bill from his own funds as opposed to third party funds.

Self-insurance

The assumption by a long-term care facility of a risk arising out of the ownership of property or from other cause.

Service cost

The amortizable cost of a limited-life asset; i.e., the asset cost, less estimated recovery, if any, from resale or scrap. Service cost is the amount to be depreciated over the useful life of a fixed asset.
Share of pooled investments

The proportion of pooled investments, including accumulated gains or losses, owned by a particular fund, usually expressed by a number (units) indicating the fractional ownership of total shares in the pool or by a percentage expressing the portion of the total pool owned by the particular fund.

Sinking fund

See Retirement of indebtedness funds.

Skilled nursing facility

A licensed health facility or a distinct part of a long-term care facility which provides skilled nursing care and supportive care to patients whose primary need is for availability of skilled nursing care on an extended basis. It provides 24-hour inpatient care and, as a minimum, includes medical, nursing, dietary, pharmaceutical services and an activity program.

Social worker program

A social worker program is for individuals in the latter stages of their training to be social workers. Social workers are required to successfully complete a 4-year program in social work or an additional two year Master's program with specified practical work experience. Program approval and licensing is done by the Board of Behavioral Sciences Examiners. Standards and requirements for clinical experience and internship effective January 1, 1990, will be: 2,200 hours of clinical experience with 1 hour/week direct supervision by a licensed clinical social worker (LCSW) and 1,000 hours clinical experience with 1 hour/week under the direct supervision of a psychologist or board certified psychiatrist. Clinical experiences may be in a hospital, health agency, a State program such as Mental Health, or county health programs.

Social work services

Services providing assistance and counseling to patients and their families by social workers in dealing with social, emotional, and environmental problems associated with illness or disabilities, often in the context of Discharge Planning Coordinator.
Special purpose fund

See Specific purpose funds.

Specific purpose funds

Funds restricted for a specific purpose or project. Board-designated funds do not constitute specific purpose funds.

Staffed beds

The daily average complement of beds (excluding bassinets) fully staffed during the reporting period. Staffed beds are those beds set up, staffed, equipped and in all respects ready for use by patients remaining in the long-term care facility overnight. Long-term care facilities typically staff for those beds currently occupied by inpatients, plus an increment for unanticipated admissions.

Standard unit of measure

The standard unit of measure is used to provide a uniform statistic for measuring and comparing long-term care facility costs and productivity output, not activity.

Standby pay (on-call)

See On-call pay.

Stepdown method (Health care)

The allocation of the accumulated costs of the nonrevenue producing centers to those other nonrevenue producing centers which utilize their services, as well as to the revenue producing centers to which they render service. Once the costs of a producing center have been allocated that center is considered closed.

Straight-line method

This method of allocating depreciation is a function of the passage of time and recognizes equal periodic charges over the useful life of the asset. The depreciation charge calculated by the straight-line method is not affected by asset productivity, efficiency, or degree of use. The periodic charge is computed by relating the cost of the asset, less any salvage, to the useful life of the asset.
Sub-Acute care services

Services provided to patients who require licensed nursing care at a level more intensive than skilled nursing care but less intensive than acute care.

Subsidiary ledger

A supporting ledger consisting of a group of accounts the total of which is in agreement with a control account.

Tangible assets

A capital asset having physical existence.

Temporary funds

See Specific purpose funds.

Term endowment funds

Donated funds which by the terms of the agreement become available either for any legitimate purpose designated by the board or for a specific purpose designated by the donor upon the happening of an event or upon the passage of a stated period of time.

Third-party payor

An agency such as Blue Cross or the Medicare program which contracts with long-term care facilities and patients to pay for the care of covered patients.

Total inpatient service days

The sum of all inpatient service days for each of the days in the period under consideration.

Total length of stay (for all inpatients)

The sum of the days stay of any group of inpatients discharged during a specified period of time.
Trade discount

The discount allowed to a class of customers on a list price before consideration of credit terms; as a rule, invoice prices are recorded in the books of account net after the deduction of trade and quantity discounts.

Transaction

The recognition of an event or condition of which gives rise to an entry in the accounting records.

Treasury stock

Full-paid capital reacquired by the issuing company through gift, purchase, or otherwise and available for resale or cancellation. Treasury stock is not a part of capital stock outstanding; and the term does not apply to unissued capital stock or to shares forfeited for non-payment of subscriptions.

Trial balance

A list or abstract of the balances or of total debits and total credits of the accounts in a ledger, the purpose being to establish a basic summary for financial statements. The term is also applied to a list of account balances (and their total) abstracted from a customer's ledger or other subsidiary ledger for the purpose of testing their totals with the related control account.

Trust

A right, enforceable in courts of equity, to the beneficial enjoyment of the property with the legal title belonging to another.

Trust fund

A fund held by one person (trustee) for the benefit of another pursuant to the provisions of a formal trust agreement.
Unit of service

A unit of measure, often commonly accepted, for determining average cost, time, or efficiency, thus making possible:

(a) comparisons of one operation with another or with the same operation in a preceding period; and

(b) estimates of future operations.

Unrealized revenue

Revenue attributable to a completed business transaction but accompanied by the receipt of an asset other than cash or other form of current asset; as, an installment sale (gross revenue) or the prospective profit from such a sale (net revenue).

Unrestricted funds

The general fund. Funds which bear no external restrictions as to use or purpose, i.e., funds which can be used for any legitimate purpose designated by the governing board as distinguished from funds restricted externally for specific operating purposes, for plant replacement and expansion, and for endowment.

Useful life

Normal operating life of a fixed asset or fixed asset group in terms of utility to the owner; the period may be more or less than physical life or any commonly recognized economic life; service life.

Valuation account (or reserve)

An account which relates to and partly or wholly offsets one or more other accounts; as, accumulated depreciation or allowance for bad debts; unamortized debt discount.

Vested interest

An interest (as a title to an estate) carrying a legal right to present or future enjoyment and of present alienation.
Weighted average

A simple average of items reduced to a common basis. For example, purchases of certain raw material are made during a given month as follows:

<table>
<thead>
<tr>
<th>Units</th>
<th>Price each</th>
<th>Total cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>$1.50</td>
<td>$225.00</td>
</tr>
<tr>
<td>175</td>
<td>1.40</td>
<td>245.00</td>
</tr>
<tr>
<td>50</td>
<td>1.32</td>
<td>66.00</td>
</tr>
<tr>
<td>65</td>
<td>1.30</td>
<td>84.50</td>
</tr>
<tr>
<td>440</td>
<td>$5.52</td>
<td>$620.50</td>
</tr>
</tbody>
</table>

The simple average of prices paid is $5.52 / 4, or $1.38, but the weighted average would be the total cost divided by the number of units purchased: $620.50 / 440, or $1.41.

Wing

A distinct part of a building consisting of an architecturally subordinate extension of a building with a corridor connecting the main building and the extension. A wing could also be represented by the addition of one or more floors to an existing building.