

Office of Statewide Health Planning and Development  
ACCOUNTING AND REPORTING MANUAL FOR CALIFORNIA HOSPITALS

**INTRODUCTION**

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## INTRODUCTION

### BACKGROUND

0001

Hospital uniform accounting and reporting began with the passage of the California Hospital Disclosure Act by the California Legislature, Senate Bill 283, and its signing into law by then Governor Ronald Reagan on October 26, 1971. The act created the California Hospital Commission and gave it the mandated broad authority to set standards for hospital uniform accounting and reporting to enable the public, third-party payors, and other interested parties to study and analyze the financial aspects of hospitals in California.

Through regulations adopted by the Commission on March 17, 1973, pursuant to the Hospital Disclosure Act and the development and subsequent adoption of this accounting and reporting manual, hospitals implemented the required accounting system and, data collection began for all fiscal years starting on or after July 1, 1974.

In 1974, legislation was enacted which expanded the Commission's jurisdiction and mandated the development of a uniform accounting and reporting system for long-term care facilities. The Commission was renamed the California Health Facilities Commission to reflect its broadened responsibilities. Pursuant to this legislation and implementing regulations, long-term care facility data collection began for fiscal years starting on or after January 1, 1977.

In 1980, the Commission's legislative mandate was again expanded. Senate Bill 1370 added the following responsibilities: (1) collection of quarterly financial and utilization data to assess the success of the hospital industry's voluntary effort to contain costs, (2) collection of discharge data on hospital patients to provide greater understanding of the characteristics of care rendered by hospitals, and (3) integration of the Commission's long-term care disclosure report with the Medi-Cal cost report to reduce the reporting burden on health facilities.

In June of 1982, the Commission's responsibilities for the collection of discharge data were expanded through passage of Assembly Bill 3480. Assembly Bill 3480 also scheduled all provisions of the Health Facilities Disclosure Act to be sunset on January 1, 1986 unless extended by subsequent legislation.

During the 1983-84 legislative session, Senate Bill 181 was passed by the California Legislature and signed into law (Chapter 1326, Statutes of 1984) by Governor George Deukmejian. This law, known as the Health Data and Advisory Council Consolidation Act, recognized that the California Health Facilities Commission would sunset on January 1, 1986 and transferred its functions to the Office of Statewide Health Planning and Development on that date.

Additionally, this bill eliminated the State Advisory Health Council effective January 1, 1986 and formed a new advisory body called the California Health Policy and Data Advisory Commission.

In 1989, the *Accounting and Reporting Manual for California Hospitals* was updated to make it current with accounting and health care technology in the hospital industry.

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Because of the major changes to the Manual and because hospitals have accounting periods beginning at different times during the year, the accounting and reporting requirements of this Manual will be implemented by hospitals at the start of their fiscal years rather than all on the same date. This will require a transition period of one year.

In order to distinguish the two Manual versions, the revised Manual has been designated as the Second Edition and the previous version has been designated as the First Edition. The Second Edition of the *Accounting and Reporting Manual for California Hospitals* must be implemented by all hospitals for fiscal years beginning on or after January 1, 1992. The First Edition of the *Accounting and Reporting Manual for California Hospitals* will remain in effect for fiscal years beginning prior to January 1, 1992.

**AUTHORITY**

**0002**

Authority for collection and publication of hospital data by the Office is defined in Sections 443.31 and 443.32 of the Health and Safety Code. The publication of this Manual is authorized by Section 97018, Title 22 of the California Code of Regulations.

**MANUAL ARRANGEMENT**

**0003**

This Manual has been divided into chapters, sections, and subsections. the chapter title is noted at the top of each page, and each chapter has been assigned a number in the thousands. For example, the System of Accounts chapter has been numbered 2000. Each section within that chapter has been assigned a number within the 2000 series. Subsections have been assigned decimal numbers following the section number to which they relate.

A Table of Contents precedes and details the contents of each chapter. The page numbers are arranged according to the section that is on that page. For example, in Section 2420.1, Daily Hospital Services Expense, the pages are numbered 2420.1 (Cont. X). The notation, Cont. X, indicates that this is a continued page of Section 2420.1.

**MANUAL REVISIONS**

**0004**

From time to time it will be necessary to revise this Manual in order to update, add or delete material. Revised Manual material will be issued and distributed as attachments to consecutively numbered transmittal letters. The transmittal letter will describe the major changes being made by that revision. Attached to the transmittal letter will be: (1) section-by-section summaries of the changes within each section, (2) instructions for removing old pages and inserting new pages, and (3) revised Manual pages.

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A revision record page follows the foreword to this Manual. After the Manual revision material has been inserted, the person inserting the material should enter the date of the transmittal letter and place his initials on the appropriate lines of the revision record.