# Statutory Issue Paper No. 107

# Certain Health Care Receivables and Receivables Under Government Insured Plans

**STATUS**
**Finalized August 8, 2001**

**Original SSAP and Current Authoritative Guidance: SSAP No. 84**

**Type of Issue:**
**Common Area**

**SUMMARY OF ISSUE**

1. *SSAP No. 4—Assets and Nonadmitted Assets* (SSAP No. 4) provides the definition of admitted and nonadmitted assets.

2. Pharmaceutical rebates are arrangements between pharmaceutical companies and reporting entities in which the reporting entities receive rebates based upon the drug utilization of its subscribers at participating pharmacies. Reporting entities use different ways to record pharmacy rebates on their financial statements. These rebates are sometimes recorded as receivables by reporting entities using estimates based upon historical trends which should be adjusted to reflect significant variables involved in the calculation, such as number of prescriptions written/filled, type of drugs prescribed, use of generic vs. brand-name drugs, etc. In some cases, the reporting entity determines the amount of the rebate due based on the actual use of various prescription drugs during the accumulation period and then invoices the pharmaceutical company. In other cases, an affiliated or unaffiliated pharmacy benefits management company may determine the amount of the rebate based on a listing (of prescription drugs filled) prepared for the reporting entity's review. The reporting entity will confirm the listing and the pharmaceutical rebate receivable. The pharmacy benefits management company will then collect the amount due from the pharmaceutical company for remittance to the reporting entity. Some reporting entities do not participate in rebate arrangements at all but receive similar benefits through contracted discounts on pharmaceutical purchases. Current statutory accounting guidance does not specifically address the admittance of pharmaceutical rebates.

3. Claim overpayments may occur as a result of several events, including but not limited to claim payments made in error to a provider. Reporting entities often establish receivables for claim overpayments. Claim overpayments may meet the conditions for the right of offset as defined in *SSAP No. 64—Offsetting and Netting of Assets and Liabilities* (SSAP No. 64). Since claim overpayments are not specifically identified as an admitted asset within the Accounting Practices and Procedures Manual effective January 1, 2001 they would be reported as nonadmitted.

4. A health entity may make loans or advances to large hospitals or other providers. Such loans or advances are supported by legally enforceable contracts and are generally entered into at the request of the provider. In many cases, loans or advances are paid monthly and are intended to represent one month of fee-for-service claims activity with the respective provider. At least for large hospitals with many sources of cash flow, an offset for these loans and advances exists in the reporting entity's combined reported and unreported claims liability and claims reserve. Additionally, such loans and advances are generally reconciled quarterly against actual claim utilization (allowing for adequate run-out of such claims) pursuant to contractual terms. In such cases, the reconciled differences are settled and the advance payments for future months may be adjusted based upon the materiality of reconciled differences. Current

 

statutory guidance in *SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties* (SSAP No. 25) is limited to loans and advances to related parties.

5. The glossary to the statements of statutory accounting principles contained in the Accounting Practices and Procedures Manual effective January 1, 2001, defines a capitation arrangement as a compensation plan used in connection with some managed care contracts in which a physician or other medical provider is paid a flat amount, usually on a monthly basis, for each subscriber who has elected to use that physician or medical provider. Risk-sharing agreements are contracts between reporting entities and providers with a risk-sharing element based upon utilization. The compensation payments for risk-sharing agreements are typically estimated monthly and settled annually. These agreements can result in receivables due from the providers if annual utilization is different than that used in estimating the monthly compensation. SSAP No. 25 provides accounting guidance for loans and advances and advances under capitation arrangements to providers who meet the definition of related parties.

6. Current GAAP provides guidance relative to defining a health care receivable and accounting guidance on loan impairment. Such guidance is presented in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide: Health Care Organizations. This audit guide was rejected in *SSAP No. 73—Health Care Delivery Assets – Supplies, Pharmaceuticals and Surgical Supplies, Durable Medical Equipment, Furniture, Medical Equipment and Fixtures, and Leasehold Improvements in Health Care Facilities.*

7. *SSAP No. 47—Uninsured Plans* (SSAP No. 47) paragraph 10.c. provides accounting guidance for the admissibility of uninsured Medicare and similar government funded plans. Current statutory accounting guidance does not specifically address the admittance of amounts receivable under government insured plans.

8. The purpose of this issue paper is to establish statutory accounting principles for pharmaceutical rebate receivables, claim overpayment receivables, loans and advances to providers who do not meet the definition of related parties, capitation arrangement receivables, risk-sharing receivables, and amounts receivable under government insured plans consistent with the Statement of Concepts and Statutory Hierarchy (Statement of Concepts).

## SUMMARY CONCLUSION

9. The definition and accounting treatment for nonadmitted assets is outlined in paragraph 3 of SSAP No. 4 as follows:

> As stated in the Statement of Concepts, "The ability to meet policyholder obligations is predicated on the existence of readily marketable assets available when both current and future obligations are due. Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interests should not be recognized on the balance sheet", and are, therefore, considered nonadmitted. For purposes of statutory accounting principles, a nonadmitted asset shall be defined as an asset meeting the criteria in paragraph 2 above, which is accorded limited or no value in statutory reporting , and is one which is:
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> a. Specifically identified within the Accounting Practices and Procedures Manual as a nonadmitted asset; or
>
> b. Not specifically identified as an admitted asset within the Accounting Practices and Procedures Manual.
>
> If an asset meets one of these criteria, the asset shall be reported as a nonadmitted asset and charged against surplus unless otherwise specifically addressed within the Accounting Practices and Procedures Manual. The asset shall be depreciated or amortized against net income as the estimated economic benefit expires. In accordance with the reporting entity's capitalization policy,

 

immaterial amounts of furniture, fixtures, equipment, or supplies, can be expensed when purchased.

10. Pharmaceutical rebate receivables, claim overpayment receivables, loans and advances to providers, capitation arrangement receivables, risk-sharing receivables, and amounts receivable under government insured plans meet the definition of assets as set forth in SSAP No. 4, and are admitted assets to the extent that the requirements for admission defined in this issue paper are met.

11. This issue paper shall not be considered an all-inclusive list of health care receivables. Certain health care receivables are addressed in other statements. Health care receivable assets not addressed in other statements or this statement are nonadmitted assets.

**Pharmaceutical Rebate Receivables**

12. Pharmaceutical rebates receivables consist of reasonably estimated amounts and billed amounts. Both the billed amount and the estimated amount shall be admitted assets subject to the conditions specified below:

a. Estimated amounts shall be related solely to actual prescriptions filled during the 3 months immediately preceding the reporting date;

b. Billed amounts represent pharmaceutical rebate receivables that have been invoiced or confirmed in writing but not collected as of the reporting date. Billed amounts for an estimated amount under paragraph 12.a. above shall be admitted only if the determination of the rebate, based on actual prescriptions filled, occurs and is invoiced or confirmed in writing within the 2 months following the reporting date of the estimated amount. Adjustments to previously billed amounts related to prior periods shall be nonadmitted until invoiced or confirmed in writing. Pharmaceutical rebates that have not been collected within 90 days of the invoice date or confirmation date shall be nonadmitted. Furthermore, if accrued pharmaceutical rebate receivables are not invoiced or confirmed in writing in accordance with the contract provisions, the accrual shall be nonadmitted; and

c. Evaluation of the collectibility of pharmaceutical rebate receivables shall be made periodically. If in accordance with *SSAP No. 5—Liabilities, Contingencies and Impairments of Assets* (SSAP No. 5), it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

13. The method used to reasonably estimate the receivable shall be consistent from period to period and shall be adjusted periodically for any changes in the underlying pharmaceutical rebate contract provisions. The financial statements shall disclose information regarding the reporting entity's pharmaceutical rebates in accordance with paragraph 26 of this issue paper.

14. Income from pharmaceutical rebates of insured plans shall be reported as a reduction to claims expense on the summary of operations.

15. Receivable and payable balances related to uncollected pharmaceutical rebates of uninsured plans shall be recorded on the financial statements of the reporting entity. Any pharmaceutical rebates earned by the reporting entity that are in excess of the amounts to be remitted to the uninsured plan pursuant to an administrative services agreement shall be determined consistent with the requirements of paragraphs 12 and 13 and shall be reported on the balance sheet as an amount receivable relating to uninsured accident and health plans, and as a reduction to general expenses on the statement of operations.

**Claim Overpayment Receivables**

16. A claim overpayment shall not be recorded as a receivable until invoiced. To the extent that the claim overpayment meets the setoff conditions in SSAP No. 64 and the overpayment is a specific identifiable payment and not an estimate, the receivable may be admitted up to the amount of the payable to the provider for reported claims (i.e., excluding incurred but not reported claims). The receivable and payable shall be reported gross rather than netted on the balance sheet. Evaluation of the collectibility of claim overpayment receivables shall be made periodically. If in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made. Amounts in excess of that written off that do not meet the right of offset conditions shall be nonadmitted as they are not available to satisfy policyholder obligations.

**Loans and Advances to Providers**

17. Loans or advances to providers who meet the definition of related parties in SSAP No. 25 shall follow the guidance in that statement. To the extent a loan or advance to a non-related party provider meets the setoff conditions in SSAP No. 64, the loan or advance may be admitted up to the amount of the payable to the provider for reported claims (i.e., excluding incurred but not reported claims).

18. In addition, a loan or advance to a non-related party hospital shall be admitted up to the amount of claims incurred and payable to the hospital, if all of the following conditions are met:

a. The loan or advance meets the setoff conditions in SSAP No. 64;
b. The loan or advance is supported by a legally enforceable contract;
c. The loan or advance is administered pursuant to contractual terms;
d. The contractual terms of the agreement provide for separate quarterly reconciliations;
e. Each quarterly reconciliation shall be completed within nine months of the end of such quarter; and
f. A quarterly reconciled difference shall be settled within 90 days of the date the reconciliation is completed.

19. If a quarterly reconciliation is not performed or settled in accordance with paragraphs 18.e. and 18.f. above, all assets for loans or advances to that hospital shall be nonadmitted.

20. The receivable and payable shall be reported gross rather than netted on the balance sheet. Evaluation of the collectibility of loans and advances to providers shall be made periodically. If in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made. Amounts in excess of that written off that do not meet the right of offset conditions shall be nonadmitted as they are not available to satisfy policyholder obligations.

**Capitation Arrangement Receivables**

21. Advances to providers under capitation arrangements that are made under the terms of an approved provider services contract in anticipation of future services shall be admitted to the extent that the advanced amount does not exceed one month of average capitation payments for the subject provider during the preceding twelve months, and provided that the contract cannot be terminated before the end of the month for which the advanced amount was paid. Evaluation of the collectibility of capitation arrangement receivables shall be made periodically. If in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

 

**Risk-Sharing Receivables**

22. Risk-sharing receivables may consist of reasonably estimated amounts and billed amounts. Both the billed amount and the estimated amount shall be admitted assets subject to the conditions specified below:

a. Risk-sharing receivables and payables shall only be recorded when reasonably estimated. Estimates of risk-sharing receivables may be admitted if based on at least six months of actual claims experience for each risk-sharing contract. The contractual terms of any risk-sharing agreement shall provide for evaluation of the experience under the contract at least annually. The determination of the risk-sharing balance shall commence no later than 6 months following the close of such annual period, and the balance shall be invoiced no later than 8 months following close of the annual period;

b. Billed amounts represent risk-sharing receivables that have been invoiced but not collected as of the reporting date. Risk-sharing receivables and payables shall be invoiced or refunded in accordance with the contractual provisions of the risk-sharing agreement. Adjustments resulting in increases to previously billed amounts related to prior periods shall be nonadmitted until invoiced. Adjustments resulting in decreases to previously billed amounts shall be recognized immediately. Risk-sharing receivables that have not been collected within 90 days of the date of invoicing shall be nonadmitted;

c. Risk-sharing receivables and payables shall be reported gross rather than netted on the balance sheet. However, if a reporting entity has both a receivable and payable balance with the same provider and the balances meet the setoff conditions in SSAP No. 64, those balances shall be netted in accordance with SSAP No. 64; and

d. Evaluation of the collectibility of risk-sharing receivables shall be made quarterly. If in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

23. The method used to reasonably estimate the receivable shall be consistent from period to period and shall be adjusted periodically for any changes in the underlying risk-sharing contract. The financial statements shall disclose information regarding the reporting entity's risk-sharing receivables in accordance with paragraph 27 of this issue paper.

24. Income/expense from risk-sharing contracts shall be reported as a component of claims expense on the summary of operations.

**Amounts Receivable Under Government Insured Plans**

25. Amounts receivable under government insured plans, including amounts over 90 days due, that qualify as accident and health contracts in accordance with *SSAP No. 50—Classifications and Definitions of Insurance or Managed Care Contracts in Force* shall be admitted assets. Amounts receivable under government insured plans include but are not limited to receivables under Medicare, Medicaid and similarly funded government insured plans. Evaluation of the collectibility of amounts receivable under government insured plans shall be made periodically. If in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

 

**Disclosures**

26. The financial statements shall disclose the method used by the reporting entity to estimate pharmaceutical rebate receivables. Furthermore, for the most recent three years and for each quarter therein, the reporting entity shall also disclose the following:

a. Estimated balance of pharmacy rebate receivables as reported on the financial statements;
b. Pharmacy rebates as invoiced or confirmed in writing; and
c. Pharmacy rebates collected.

An example of this disclosure is shown in Exhibit A to this issue paper.

27. The financial statements shall disclose the method used by the reporting entity to estimate its risk-sharing receivables. If any receivable and payable balances with the same provider are netted, the reporting entity shall disclose the gross receivable and payable balances in the notes to the financial statements. Furthermore, for the most recent three years, the reporting entity shall also disclose the following:

a. Risk-sharing receivables as estimated and reported on the prior year financial statements for annual periods ending in the current year;
b. Risk-sharing receivables as estimated and reported on the financial statements for annual periods ending in the current year and the following year;
c. Risk-sharing receivables invoiced as determined after the annual period;
d. Risk-sharing receivables not yet invoiced; and
e. Amounts collected from providers as payments under risk-sharing contracts.

An example of this disclosure is shown in Exhibit B to this issue paper.

**Effective Date and Transition**

28. Upon adoption of this issue paper, the NAIC will release a Statement of Statutory Accounting Principle (SSAP) for comment. The SSAP will contain the adopted Summary Conclusion of this issue paper. Users of the Accounting Practices and Procedures Manual should note that issue papers are not represented in the Statutory Hierarchy (see Section IV of the Preamble) and therefore the conclusions reached in this issue paper should not be applied until the corresponding SSAP has been adopted by the Plenary of the NAIC. It is expected that the SSAP will contain an effective date of years ending on or after December 31, 2001.

29. Prior to January 1, 2003, reporting entities may transition the invoicing provision outlined in paragraph 12 and shall invoice pharmaceutical rebates on no less than a semi-annual basis. Furthermore, prior to January 1, 2003, reporting entities may transition the 90 day admissibility provision outlined in paragraph 12 and shall nonadmit pharmaceutical rebates if such rebates have not been collected within 180 days of the invoicing date.

30. Prior to January 1, 2003, reporting entities may transition the invoicing provision outlined in paragraph 22 and shall invoice the risk-sharing balance no later than 11 months days following the close of the annual period.

**DISCUSSION**

31. The statutory accounting principles outlined above are consistent with the conservatism and recognition concepts in the Statement of Concepts, current statutory accounting guidance and SSAP No. 4.

 

Conservatism

Conservative valuation procedures provide protection to policyholders against adverse fluctuations in financial condition or operating results. Statutory accounting should be reasonably conservative over the span of economic cycles and in recognition of the primary responsibility to regulate for financial solvency.

Recognition

The ability to meet policyholder obligations is predicated on the existence of readily marketable assets available when both current and future obligations are due. Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interests should not be recognized on the balance sheet but rather should be charged against surplus when acquired or when availability otherwise becomes questionable.

## RELEVANT STATUTORY ACCOUNTING AND GAAP GUIDANCE

### Statutory Accounting

32. SSAP No. 47 paragraph 8 provides guidance on accounting for amounts receivable from uninsured plans:

> 8. Amounts receivable from uninsured plans for (a) claims and other costs paid by the administrator on behalf of the third party at risk and (b) fees related to services provided by the administrator to the plan meet the definition of assets as set forth in SSAP No. 4—Assets and Nonadmitted Assets. A receivable shall not be recorded for unpaid claims. A receivable related to Medicare or a similarly structured cost based reimbursement contract shall only be recorded when services have been rendered.

33. SSAP No. 47 paragraph 10.c. provides guidance on determining the nonadmitted portion of amounts receivable from Medicare and similar government funded uninsured plans:

> 10 c. Medicare and similar government funded plans—Amounts due related to Medicare and similar government plans shall not be nonadmitted when they become over ninety days due. Appropriate reserves shall be established to cover costs incurred which may not be reimbursed upon final determination by the governing agencies under the cost contract or for adjustments to revenues based on performance under the terms of the contract or other external factors.

34. SSAP No. 64 paragraph 2 provides guidance on accounting for offsetting and netting of assets and liabilities:

> 2. Assets and liabilities shall be offset and reported net only when a valid right of setoff exists except as provided for in paragraphs 3 and 4. A right of setoff is a reporting entity's legal right, by contract or otherwise, to discharge all or a portion of the debt owed to another party by applying an amount that the other party owes to the reporting entity against the debt. A valid right of setoff exists only when all the following conditions are met:
>
> a. Each of the two parties owes the other determinable amounts. An amount shall be considered determinable for purposes of this provision when it is reliably estimable by both parties to the agreement;
>
> b. The reporting party has the right to setoff the amount owed with the amount owed by the other party;

c. The reporting party intends to setoff; and

d. The right of setoff is enforceable at law.

35. SSAP No. 25 paragraphs 7 and 8 include the following guidance for loans or advances by a reporting entity:

> 7. Loans or advances by a reporting entity to all other related parties shall be evaluated by management and nonadmitted if they do not constitute arm's-length transactions as defined in paragraph 10. Loans or advances made by a reporting entity to related parties (other than its parent or principal owner) that are economic transactions as defined in paragraph 10 shall be admitted. This includes financing arrangements with providers of health care services with whom the reporting entity contracts with from time to time. Such arrangements can include both loans and advances to these providers. Evaluation of the collectibility of loans or advances shall be made periodically. If, in accordance with SSAP No. 5, it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.
>
> 8. Any advances under capitation arrangements made directly to providers, or to intermediaries that represent providers, that exceed one month's payment shall be nonadmitted assets.

**Generally Accepted Accounting Principles**

36. The AICPA Audit and Accounting Guide: Health Care Organizations states the following:

> 5.01. Receivables may include amounts due for (*a*) health care services from patients, residents, third-party payors, and employers; (*b*) premiums and stop-loss insurance recoveries; (*c*) intercompany transactions; (*d*) promises to give in future periods (pledges); and (*e*) amounts due from employees, physicians, or others. All loans, such as loans to physicians, should be evaluated periodically for impairment. Loans that are included in the scope of *FASB Statement No. 114*, *Accounting by Creditors for Impairments of a Loan*, should be evaluated based on the provisions of that statement. A loan is impaired when, based on current information and events, it is probable that the provider will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan agreement. If the provider measures an impaired loan using a present value amount, the creditor should calculate that present value based on an estimate of the expected future cash flows of the impaired loan, discounted at the loan's effective interest rate.

## RELEVANT LITERATURE

**Statutory Accounting**

- Statutory Accounting Principles Statement of Concepts and Statutory Hierarchy
- *SSAP No. 4—Assets and Nonadmitted Assets*
- *SSAP No. 5—Liabilities, Contingencies and Impairment of Assets*
- *SSAP No. 20—Nonadmitted Assets*
- *SSAP No. 25—Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties*
- *SSAP No. 47—Uninsured Plans*
- *SSAP No. 64—Offsetting and Netting of Assets and Liabilities*

**Generally Accepted Accounting Principles**

- The AICPA Audit and Accounting Guide: Health Care Organizations

**State Regulations**

- No additional guidance obtained from state statutes or regulations

 

**ISSUE PAPER NO. 107 – EXHIBIT A – ILLUSTRATION OF PHARMACEUTICAL REBATE RECEIVABLES**
(000 omitted)

| Quarter | Estimated Pharmacy Rebates as Reported on Financial Statements | Pharmacy Rebates as Invoiced/ Confirmed | Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation | Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation | Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation |
|---|---|---|---|---|---|
| | | | | | |
| 12/31/2003 | $150 | $147 | | | |
| 9/30/2003 | 130 | 133 | $62 | | |
| 6/30/2003 | 142 | 143 | 70 | $55 | |
| 3/30/2003 | 157 | 152 | 65 | 42 | $20 |
| | | | | | |
| 12/31/2002 | 125 | 132 | 70 | 27 | 20 |
| 9/30/2002 | 123 | 129 | 62 | 31 | 14 |
| 6/30/2002 | 112 | 120 | 54 | 20 | 16 |
| 3/31/2002 | 110 | 118 | 57 | 39 | 20 |
| | | | | | |
| 12/31/2001 | 68 | 75 | 34 | 20 | 10 |
| 9/30/2001 | 60 | 59 | 27 | 17 | 10 |
| 6/30/2001 | 57 | 60 | 31 | 15 | 10 |
| 3/31/2001 | 45 | 50 | 25 | 18 | 7 |
| | | | | | |

 

**ISSUE PAPER NO. 107 – EXHIBIT B – ILLUSTRATION OF RISK-SHARING RECEIVABLES**
(000 omitted)

| Calendar Year | Evaluation Period Year Ending | Risk-Sharing Receivable as Estimated and Reported in the Prior Year | Risk-Sharing Receivable as Estimated and Reported in the Current Year | Risk-Sharing Receivable Invoiced | Risk-Sharing Receivable Not Invoiced | Actual Risk-Sharing Amounts Collected in Year Invoiced | Actual Risk-Sharing Amounts Collected First Year Subsequent | Actual Risk-Sharing Amounts Collected Second Year Subsequent | Actual Risk-Sharing Amounts Collected – All Other |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 2003 | 2003 | $245 | $232 | $155 | $77 | $0 | | | |
| | 2004 | XXX | $189 | XXX | $189 | XXX | XXX | | |
| | | | | | | | | | |
| 2002 | 2002 | $223 | $225 | $203 | $22 | $0 | $200 | | |
| | 2003 | XXX | $245 | XXX | $245 | XXX | XXX | XXX | XXX |
| | | | | | | | | | |
| 2001 | 2001 | $190 | $178 | $174 | $4 | $0 | $170 | $5 | |
| | 2002 | XXX | $223 | XXX | $223 | $XXX | XXX | XXX | XXX |

**DRAFTING NOTE:** If there were only one contract or if all contracts have the same experience period, then there would only be an entry in either the "Invoiced" or "Not Invoiced" column for the current year. This example assumes varying dates on experience periods for multiple contracts. Assumptions: Two risk-sharing contracts are in place, one with an experience period that ends 3/31/03 and one with an experience period that ends 10/31/03.

The $155,000 receivable for the contract period that ends 3/31/03 would be invoiced no later than 11/30/03 (or 8 months days following close of the contract period) and could be received no later than 2/28/04. Therefore, the $155,000 would appear in the "Invoiced" column in 2003 but not shown as received in 2003. Further, the $189,000 estimate for the experience period that ends 3/31/04 could be recorded on the December 31, 2003 financial statement, since there is more than six months of experience under the contract.

The contract with the experience period that ends 10/31/03 with an estimated $77,000 receivable would be invoiced by 6/30/04 and received by 09/30/04. Therefore, it would appear in the "Not Invoiced" column and not shown as received in 2003. However, no estimate could be reported on the December 31, 2003 financial statement for the experience period that ends 10/31/04, because there is less than six months of experience under the contract.