



Rhode Island Executive Office of Health and Human Services  
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May 28, 2025

Honorable Marvin L. Abney, Chairman  
House Committee on Finance  
35 State House  
Providence, RI, 02903

**RE:** Follow up information from House Finance Hearing on Wednesday, May 7<sup>th</sup>.

Dear Chairman Abney:

Thank you for the opportunity to appear before and offer testimony to the House Committee on Finance held on May 9, 2025. Please accept this letter in response to questions raised by Honorable Committee during the hearing. If you need more information or clarification on the responses provided below, please feel free to reach out to me directly.

**Representative Tanzi asked how long of a lag time exists for health care entities to receive their audited financials. Additionally, she asked if the lag times are different for separate types of entities (hospitals, physician practice, etc.)**

### ***Response***

**Audited financial statements** in healthcare are detailed reports, reviewed and certified by independent auditors, that provide a comprehensive assessment of a healthcare entity's financial stability. These financials offer detailed insights into income, expenses, assets, liabilities, and cash flow. Many hospitals and health systems publicly release annual audited financial statements, which is a requirement for publicly traded, for-profit health systems and systems which issue publicly traded debt. Given the importance of these statements and the level of detail they provide, as well as the inevitable delays in third-party payment and reconciliation processes, annual audits often take months to complete. The time it takes for healthcare entities to receive their audited financial statements varies based on the type and size of the health care entity, organizational by-laws and federal and state regulatory requirements. Here is an overview of typical timelines:

## Hospitals and Health Systems

- **Lag Time:** Typically, 2-6 months after fiscal year's end.<sup>1</sup>
- **Outlier:** Steward Health Care had not released their 2022 audited financials by early 2024<sup>2</sup>

## Nursing Facilities

- **Lag Time:** The lag time can be three to nine months after the end of the fiscal year, although this varies based on ownership and state rules.<sup>3</sup>
- **Details:** Audited financials are not uniformly required, and many skilled nursing facilities rely on Medicare/Medicaid cost reports instead.

## Physician Practices

- **Lag Time:** Physician practices rarely produce audited financials. If they do, the lag time is usually 3-6 months after end of fiscal year.<sup>4</sup>
  - Most physician practices (especially small or independent ones) do not prepare audited financial statements, unless required by investors (e.g., private equity), part of a larger health system, or seeking external financing.
  - Large Physician groups (e.g., multispecialty or system-owned) are more likely to be audited and follow a standard timeline of 3-6 months.<sup>5</sup>

## Federally Qualified Health Centers (FQHC)

- **Lag Time:** The lag time is typically between 5-9 months after the end of the fiscal year.<sup>6</sup>
- According to the U.S. Department of Health and Human Services, audit reports for FQHCs are due by the earlier of 30 calendar days after the entity receives the auditor's report or 9 months after the end of the entity's fiscal year.

Note: As indicated in the definition section in the proposed GBA 13 at §42-7.5-1 (2), audited financial statements are distinct in scope and purpose from the **quarterly financial reports** covered entities which will be required if the law is enacted. The goal of the quarterly financial reports is to make transparent data available at regular intervals which will enable the state to detect indicators of fiscal distress and engage with a health care provider before a crisis occurs which threatens its continued viability. Especially since audited annual financial statements cover the previous year, time lags limit their utility for health care planning and preserving the fiscal integrity of the health care provider and system as a whole. It is our understanding that the health care entities covered by §42-7.5-1 generally prepare quarterly financial reports for review by their governing boards and/or various federal regulators that

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<sup>1</sup> Scott Hulver, Zachary Levinson, Jamie Godwin, Gary Claxton, and Tricia Neuman, *Gaps in Data About Hospital and Health System Finances Limit Transparency for Policymakers and Patients*, KFF, 2024.

<sup>2</sup> Priyanka Dayal McCluskey, *Steward Health Care has kept financial information secret for years. Now, it faces a demand*, WBUR, 2024.

<sup>3</sup> Government Accountability Office (GAO), *Nursing Homes: CMS Should Make Ownership Information More Transparent for Consumers*, 2023.

<sup>4</sup> Kaufman Hall, *2023 Physician Enterprise Performance Report*, Kaufman Hall, 2024.

<sup>5</sup> WELL Health Technologies Corp., *WELL Health Announces Delay in Filing*, 2025.

<sup>6</sup> Rhode Island Executive Office of Health and Human Services, *FQHC Principles of Reimbursement 2022*, 2023.

provide most of the information the state is seeking and, as such, could be adapted to meet the requirements of the proposed law.

Thank you for the opportunity to respond, and please contact me here at the Executive Office of Health and Human Services if you have any questions or concerns.

Sincerely,



Richard Charest, R.Ph., MBA  
Secretary  
Executive Office of Health and Human Services

Cc: Honorable Members of the House Committee on Finance  
Sharon Reynolds Ferland, House Fiscal Advisor  
Chris O'Brien, House Finance Committee Clerk  
Joseph Codega, Sate Budget Officer