

FISCAL PROCEDURES APPROVED
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER
 BY Tanya S. Harris
 TANYA S. HARRIS, CPA

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

989



SUBMITTAL DATE:
 July 3, 2014

FROM: Riverside County Regional Medical Center

SUBJECT: APPROVAL OF WRITE OFF OF \$324,963,189 IN UNCOLLECTIBLE CHARGES AGED GREATER THAN 365 DAYS FROM DATE OF DISCHARGE. [ALL DISTRICTS; \$N/A]

RECOMMENDED MOTION: That the Board of Supervisors:
 Approve and authorize the Hospital Director, under Health and Safety Code Section 1473, to write off accounts receivable, which are legally uncollectible.

BACKGROUND:
Summary

It is a common practice for hospitals to track historic collection trends (payments/total charges) for each payer group. Using these historic trends as a guideline, an accurate estimate is made whenever a bill is created, separating that bill into expected payment and uncollectable amounts. The uncollectable amount is entered into our financial system as an "allowance for uncollectable." All of the dollar amounts recommended for write-off are part of a prior uncollectable allowance, some as much as five years old. There will be no new loss as the result of the recommended Board action.

Lowell Johnson
 Lowell Johnson, Interim CEO

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ N/A	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
SOURCE OF FUNDS: Uncollectible Accounts - Enterprise Fund				Budget Adjustment: No	
				For Fiscal Year: 14/15	

C.E.O. RECOMMENDATION:
 Department to develop procedure and submit annual request to write off uncollectible accounts receivable.

APPROVE
 BY *Debra Cournoyer*
 Debra Cournoyer

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: | **District:** All | **Agenda Number:**

3-54

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: APPROVAL OF WRITE OFF OF \$324,963,189 IN UNCOLLECTIBLE CHARGES AGED
GREATER THAN 365 DAYS FROM DATE OF DISCHARGE. [ALL DISTRICTS; \$N/A]**

DATE: July 3, 2014

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

These account populations have been identified by the Patient Accounts Officer as accounts that have exceeded the legal recovery period or are uncollectible and should be included in an AR clean-up project. The clean-up project will allow the key Accounts Receivable (A/R) metrics to reflect a more accurate overall health of the hospital's A/R and in turn drive more accountability across the revenue cycle.

They fall into three main groups: Insurance, Administrative Adjustment, and Bad Debt.

- The accounts in the Insurance group have already paid at the contractual amount agreed to; there will be no further payment. The recommended action will remove the unpaid difference.
- The Administrative Adjustment group is uninsured or self-pay patients who were treated more than three years ago. We have taken all reasonable and legally-required steps to collect. There is no longer any value in further action.
- The Bad Debt group is uninsured or self-pay patients who were treated between two and three years ago. This group can be sent to a collection firm that will perform a "soft collection." The expected recovery is two percent of charges or \$650,493.

The table below reflects the current and future state of the A/R and the associated summary that supports the total requested write-off amount for future state. Also included are the days outstanding in receivables and the future impact of the proposed reduction.

Population	A/R Balance	A/R Days
Current	\$1,021,146,973	263.0
Future	\$696,183,784	179.3
Proposed AR Write-Off	A/R Balance	A/R Day Reduction
Insurance	\$219,413,894	56.5
Administrative Adjustment	\$72,047,214	18.6
Bad Debt	\$33,502,081	8.6

Further details are included in Attachment A.

Impact on Residents and Businesses

These accounts impact the patients residing in Riverside County receiving care from the hospital. Both timely and accurate recovery and statements will improve the ability to collect on outstanding receivables.

ATTACHMENT A. Proposed Write-Off Summary

ATTACHMENT A

Riverside County Regional Medical Center Proposed Write-Off Summary



Summary: These account populations have been identified by the Patient Accounts Officer as accounts that should be written off as part of a clean-up project. This clean-up project will allow the key Accounts Receivable (A/R) metrics (91+ Agings, 365+ Agings, A/R days, follow-up WIP) to more accurately reflect the overall health of the hospital's A/R and in turn drive more accountability across the revenue cycle. The table below shows how the write-offs will impact key metrics:

Population	A/R Balance	A/R Days
Current	\$1,021,146,973	263.0
Future	\$696,183,784	179.3
Proposed A/R Write-Off	A/R Balance	A/R Day Reduction
Insurance	\$219,413,894	56.5
Administrative Adjustment	\$72,047,214	18.6
Bad Debt	\$33,502,081	8.6

Recommendation:

- Write-off insurance balances based on the categories identified in the "Insurance Write Off" section
- Assign Self Pay balances to bad debt recovery agency:
 - Start as soft collection for 90 days from assignment:
 - No bureau reporting during this phase of the process
 - 1 informational statement notifying patient of debt liability
 - 3 progressive dunning statements at 15 day intervals
 - Final demand for payment
 - Prompt pay discounts will be offered if patient is responsive
 - Progress with bad debt recovery efforts on accounts where patient has responded to soft collection efforts Letter of notification that bureau action will be taken
 - Patient phone contact for all balances assigned, predictive dialer on low balances
 - 3 progressive dunning statements at 15 day intervals
 - Final demand statement for payment
 - Continued efforts until resolution or release
 - Prompt pay discounts will be offered if patient is responsive

ATTACHMENT A

Riverside County Regional Medical Center Proposed Write-Off Summary



The accounts for write-off were grouped into the following categories. The corresponding adjustment code has been determined for each account so that an automated write-off can take place to minimize the time spent working through the population.

Category	Description
Contractual Adjustment	Accounts that should have received an adjustment according to the payer contract and/or expected reimbursement but did not receive the full adjustment at the time of payment.
Untimely Uncoded	Accounts that are over one year from discharge and have not yet been coded; coding would not result in additional reimbursement from the payer
Untimely Filing	Accounts that have passed the timely filing limit for the payer for either submitting a bill, submitting an appeal, or completing follow-up
Bad Debt	Self Pay accounts that should have moved to the bad debt collections agency but did not because it was excluded from the automated transfer logic and was not manually reviewed
Discharge of Accountability	Accounts previously approved by the board for discharge

Insurance Write-Offs

The following criteria were used to determine that an account was eligible for insurance write-off:

- Two or more years from discharge, reviewed contract terms with and without payments:
 - Medi-Cal inpatient: calculated days x Per Diem to determine appropriate reimbursement, less any denials; outpatient: 6% of total charges, excluding denials and non covered services, based on historical reimbursement analysis provided by Fiscal Services.
 - Medicare: ensured that DRG was paid per CMS, or outpatient FFS as outlined in the CMS fee schedule under OPSS Rate Table.
 - Managed Care: reviewed for payment or capitated services, utilizing contract terms or reasonable and customary guidelines as stated by Insurance Commissioner.
 - MISPP/RCHC: reviewed benefit terms against eligibility file

The proposed insurance write-off volumes, by payer, are:

Insurance Proposed Write-offs				
Payer	Contractual Adjustment	Untimely Uncoded	Untimely Filing	Total
Medicare	\$8,982,565	\$699,771	\$670,336	\$11,410,875
Medi-Cal	\$52,684,335	\$1,104,427	\$22,669,362	\$77,285,475
Commercial/TPL/WC	\$26,604,680	\$817,119	\$3,434,180	\$8,209,315
Managed Care	\$1,474,757	\$17,214	\$2,692,002	\$4,210,880
MISPP/RCHC	\$112,909,229	\$2,023,940	\$1,503	\$116,417,021
Other State Programs	\$1,879,243	\$808	\$0	\$1,880,328
Total	\$177,921,764	\$4,663,279	\$29,467,383	\$219,413,894

ATTACHMENT A

Riverside County Regional Medical Center Proposed Write-Off Summary



Self Pay Write-Offs

The following criteria were used to determine that an account was eligible for self pay write-off:

- Two or more years from discharge
- Excluded current payment plans (defined by financial class G)
- Verified 3 dunning statements
- Verified non eligibility again the MISP/RCHC database as well as State benefit web site [MSeI]
- Balance after insurance: Confirmed insurance payments received and no secondary insurance liability

The proposed self pay write-off volumes are:

	Self Pay Proposed Write-Offs					
Aging Tier	Bad Debt	Discharge of Accountability	Administrative Adjustment	Total	Collection Rate*	Estimated Reimbursement
3 + YFD	\$0	\$0	\$72,047,214	\$72,047,214		\$0
2 YFD	\$33,501,826	\$786,996	\$0	\$33,502,081	2%	\$650,493
Total	\$33,501,826	\$786,996	\$72,047,214	\$105,549,295	2%	\$650,493

*Collection percent as reported by current RCRMC Bad Debt Agencies: NCO and Metro Republic

Current Assignment Process:

- Accounts determined to be patient liability post financial assistance screening
- Initial informational statement sent 15 days post service
- Dunning Cycle commences
 - Self Pay statements are sent every thirty days (Note: self pay statement functionality was not working in Invision from 1/1/2010 – 12/31/2012).
 - Patient phone contact for all balances greater than \$500.00
 - Statement only for those less than \$500.00
 - 1 final demand statement informing of intent of bad debt assignment
- Bad debt assignment occurs at 365 days post service date