

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

989



**FROM:** Riverside County Regional Medical Center

**SUBMITTAL DATE:**  
July 3, 2014

**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	

<b>SOURCE OF FUNDS:</b> Uncollectible Accounts - Enterprise Fund	<b>Budget Adjustment:</b> No
	<b>For Fiscal Year:</b> 14/15

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

**APPROVE**  
*Debra Cournoyer*  
BY \_\_\_\_\_  
Debra Cournoyer

**County Executive Office Signature**

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended, and IT WAS FURTHER ORDERED that the Executive Office's recommendation is incorporated herein.

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley  
Nays: None  
Absent: None  
Date: July 15, 2014  
xc: RCRMC

Kecia Harper-Ihem  
Clerk of the Board  
By *[Signature]*  
Deputy

Prev. Agn. Ref.: \_\_\_\_\_ District: **A11** Agenda Number: \_\_\_\_\_

**3-54**

FISCAL PROCEDURES APPROVED  
 PAUL ANGULO, CPA, AUDITOR-CONTROLLER  
 BY *[Signature]*  
 TANYA S. HARRIS, CPA  
 Departmental Concurrence  
 Positions Added  Change Order   
 A-30  4/5 Vote

**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.

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

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:

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

### 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.
  - MISP/RCHC: reviewed benefit terms against eligibility file

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

Insurance Proposed Writeoffs				
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
MISP/RCHC	\$112,909,229	\$2,023,940	\$1,503	\$116,417,021
Other State Programs	\$1,879,243	\$808	\$0	\$1,880,328
<b>Total</b>	<b>\$177,921,764</b>	<b>\$4,663,279</b>	<b>\$29,467,383</b>	<b>\$219,413,894</b>

# 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:

Aging Tier	Self Pay Proposed Write-Offs				Collection Rate	Estimated Reimbursement
	Bad Debt	Discharge of Accountability	Administrative Adjustments	Total		
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
<b>Total</b>	<b>\$33,501,826</b>	<b>\$786,996</b>	<b>\$72,047,214</b>	<b>\$105,549,295</b>	<b>2%</b>	<b>\$650,493</b>

\*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

**Riverside County Board of Supervisors  
Request to Speak**

Submit request to Clerk of Board (right of podium),  
Speakers are entitled to three (3) minutes, subject  
to Board Rules listed on the reverse side of this form.

**SPEAKER'S NAME:** GARRY GRANT

**Address:** \_\_\_\_\_  
(only if follow-up mail response requested)

**City:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_

**Date:** JULY 15<sup>07A</sup> **Agenda #** 3-54

**PLEASE STATE YOUR POSITION BELOW:**

**Position on "Regular" (non-appealed) Agenda Item:**

       **Support**       **Oppose**             **Neutral**

**Note:** If you are here for an agenda item that is filed  
for "Appeal", please state separately your position on  
the appeal below:

       **Support**             **Oppose**             **Neutral**

**I give my 3 minutes to:** \_\_\_\_\_

## **BOARD RULES**

### **Requests to Address Board on "Agenda" Items:**

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

### **Requests to Address Board on items that are "NOT" on the Agenda:**

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

### **Power Point Presentations/Printed Material:**

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

### **Individual Speaker Limits:**

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. *Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.*

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**SPEAKER'S NAME:** Paul Jacobs

**Address:** \_\_\_\_\_  
(only if follow-up mail response requested)

**City:** Temecula **Zip:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_

**Date:** 7/15/14 **Agenda #:** 3-54

**PLEASE STATE YOUR POSITION BELOW:**

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\_\_\_\_\_ **Support**      \_\_\_\_\_ **Oppose**      \_\_\_\_\_ **Neutral**

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**SPEAKER'S NAME:** BRAD KOSAR

**Address:** \_\_\_\_\_  
(only if follow-up mail response requested)

**City:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Phone #:** \_\_\_\_\_

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