



# Credit Balances as Income Opportunities

Credit balance resolution is a mandatory practice that hospitals and health systems must undertake to maintain compliance and reduce financial risk and liability, but organizations may not realize that credit balances can actually turn into significant Income opportunities.

Credit balance remediation efforts can be resource costly for staff where the work is often viewed as a significant, rote expenditure of time and effort. On average, it takes an hour for billing staff to resolve 3 credit balance accounts. As these accounts age, the backlogs can become overwhelming, especially as many of the carrier portals don't store information longer than 2-3 years so you must rely on historic in-house record management.

Many organizations find it more beneficial for billing staff to spend their time pursuing current receivables than undertaking the extensive process of resolving credit balances.

Despite all the time and effort involved, the payoff can be extremely worthwhile. Read on to find out how you can get a substantial payday from your opportunistic credit balances.

## The truth about credit balances

Credit balances usually occur as a result of honest mistakes, errors in processes, or simply due to the timing of payment. According to research, an error rate of 1-2% is inherent in all processes that require human intervention, which would include any manual entry within the scope of a hospital's billing process.

The Healthcare Financial Management Association (HFMA) estimates that a small-to-medium-size hospital generates approximately \$2M in credit balances annually.

## Here's an example

Hospital A, a 250-bed acute care facility with annual revenues of \$90 Million, has \$1.8 Million in credit balances representing approximately 2,000 patient accounts sitting on its books.

Typically, 15% of these credits are overpayments that result in refunds to the patient or payer. The remainder is usually the result of posting errors, a high percentage of which (up to 60%) will yield into a one-time net income pickup when corrected.

But what does this correction look like? In the example above, we'll assume that a patient's charges for service were \$23,000, but at the time of posting the amount was mis-keyed as \$2,300. Under Accrual Accounting, this error causes an under reporting in patient revenue and accounts receivable. When this error is discovered and corrected, the immediate income pickup on the General Ledger is \$20,700.

To remediate these in-house would require more than 1,300 resource hours, to say nothing of the opportunity loss associated with pulling resources off of regular daily tasks such as billing, payment posting, etc.

### Real-world results

Hospital Revenue Cycle Solutions (HRCS) has helped many clients to not only resolve their backlog of credit balances, but to receive a significant income pickup in a short period of time. Here's a recent client we helped:

A busy, 160-bed hospital system was overwhelmed with its backlog of credit balances and wanted to resolve the credit balances as a one-month project. With over 10,000 historic credit balance accounts, working at the 3 accounts per hour average, it would have taken this hospital 2,500 hours - at best - to complete.

HRCS implemented its well-proven methodology to quickly and accurately distinguish true credit balances from the false ones. By employing proprietary, in-house developed analytical tools, we were able to identify and correct errors in a fraction of the time that would have been required by the hospital's staff. In addition, because we have flexible resourcing capabilities and cross-trained teams, we were able to dedicate significantly more man-hours per day to this project than this hospital could have ever managed. The end result was quick, accurate resolution of their credit balances and a very

health income bump. For this particular hospital, **HRCS found over \$3.6 million in a one-time income pick-up.** Even after our fees, **the ROI for this project was 778%.**

In addition to providing this significant income increase, HRCS utilized our deep knowledge of Medicare regulations and our extensively developed processes to resolve potential credit liabilities and to help bring the organization into compliance. We accomplished all of this while simultaneously taking the burden off of hospital staff so they could focus on collecting current receivables.

### See what we can do for your organization

HRCS partners with organizations to improve their Healthcare Revenue Cycle Management processes, to deliver a faster, more profitable payment system. We are committed to providing highly-customized, value-focused revenue cycle outsourcing services that result in efficiency gains, increased corporate and governmental compliance, and overall optimized financial performance for our healthcare clients.

With over 20 years of experience, HRCS is a leader in healthcare billing and services and full CBO outsourcing. We also specialize in high-value, high-touch project work that we execute with unmatched quality, driven by our philosophy of a "client-first" approach to excellence.

Contact us today for a free consultation.

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