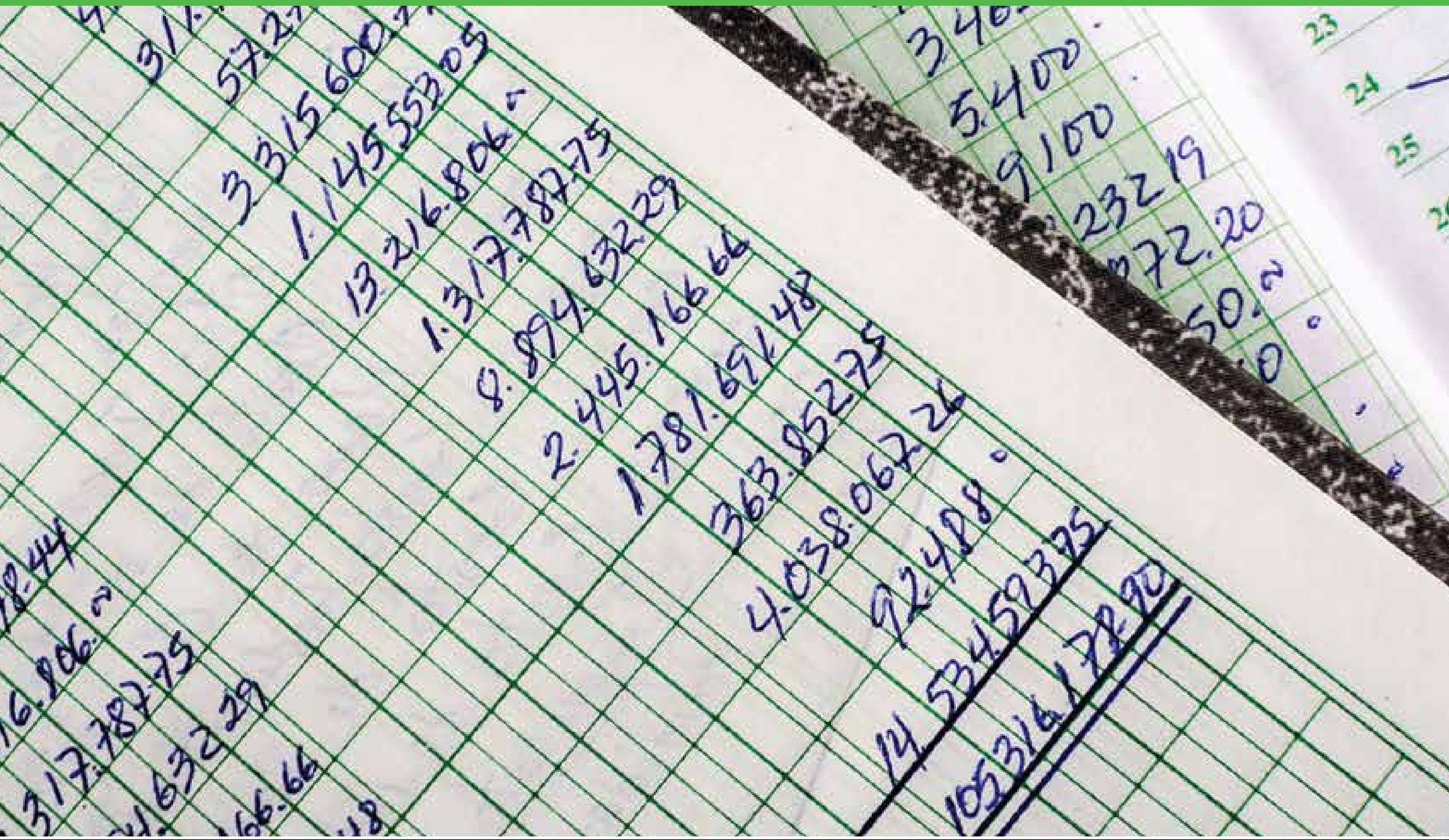
HRCS
Hospital Revenue Cycle Solutions



HOSPITAL CREDIT BALANCES:
TURN A “MUST DO” INTO A “GLAD WE DID THAT”

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.

PROBLEMS

Credits end up on your To-Do list because of:

- Corporate Compliance Metrics/Audits
- Governmental Compliance Requirements
- State Escheat Laws

Corporate Compliance
Most organizations have internal key metrics that must be met in order to mitigate potential liability. Among those is a maximum AR/Credits days aged ratio. Any revenue cycle manager with a ratio above the corporate target will be found non-compliant within an audit report. In order to maintain compliance, most managers periodically have their staff focus on the largest dollar values until they achieve a compliant ratio. The result is a growing number of aging credits that never get addressed and a quicker return to non-compliance status.

Governmental Compliance
CMS requires "reasonable diligence" to proactively seek out and identify overpayments made to hospitals by Medicare or Medicaid. Every overpayment identified must then be returned to the government or must be investigated to determine its validity within 60 days of identification. Failure to conduct reasonable diligence is not a defense. Per CMS, a hospital "has identified an overpayment when the [hospital] has **or should have, through the exercise of reasonable diligence**, determined that the person has received an overpayment and quantified the amount of the overpayment" (emphasis added.) Letting governmental credits sit on your books for an extended period of time exposes the hospital to penalties and fines.

Escheat Laws
Credits are not always resolved within the specified claw-back period. Once that period has passed, the hospital is no longer obligated to return the money to the payer, which is why insurance carriers will often have verbiage within their contracts to include the right to send in audit teams to scour hospital books for potential credits. These audit teams are usually third-party vendors who are compensated based on the value of the credits they identify and the money the hospital subsequently returns to the carrier. Their objectives are in opposition to those of the hospital. This is why hospitals seek out advocates, such as HRCS, that can assist them in remediating their credits, with an eye towards minimizing their refunds to carriers.

Once the claw-back period has expired, the hospital's job is not complete. While there is no obligation to refund the money to the carrier, in most states the hospital does not automatically get to keep it. While state escheat laws vary, the money in question is usually subject to these escheat laws and must be turned over to the state for safe holding within a certain time period. Failure to do so, again exposes the hospital to penalties and fines. Across the US, states are hiring contingency-base audit firms to

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review hospitals' financial records and seek out these monies. Any hospital subjected to such an audit, that has not followed an escheat-defense strategy such as that performed by HRCS, risks having to pay the state not only the value of the original credits, but significant penalties and interest.

RESOURCE ALLOCATION ROADBLOCK

Credit balance remediation efforts can be resource costly for staff and the work is often viewed as a significant, rote expenditure of time and effort. Across the industry, it takes an hour for billing staff to resolve 3 credit balance accounts. This translates into a single FTE working over a year and a half to resolve every 10,000 accounts. As these accounts age, the backlog can become overwhelming, especially as many of the carrier portals don't store information longer than 2-3 years so staff must rely on historic in-house record management. Many organizations find it more beneficial for billing team members to spend their time pursuing current receivables than undertaking the extensive process of resolving credit balances. For these reasons, finding the necessary resources to tackle credits can often be a significant challenge for hospitals.

OPPORTUNITY

Despite all of the time and effort involved in resolving credit balances, the payoff can be extremely worthwhile.

Net Income Increase

Credit balances usually occur as a result of honest mistakes, errors in processes, or simply due to the timing of payment. On average, only about 15% of any hospital's or health system's credits are overpayments that result in refunds to the patient or payer. The remainder is usually the result of normal transaction errors, a high percentage of which will yield a one-time net income pickup when corrected.

The accounting, in its simplest terms, is a matter of reversing an incorrect expense. When that erroneous expense is corrected Net Income must increase by that same amount.

As an example, consider the double posting of a single $500 adjustment. The duplicate posting will create an erroneous $500 credit in your AR and an additional erroneous expense of $500. Once the double adjustment is corrected, expenses are reduced by $500 and the direct effect on Net Income will be an equal rise of $500.

Through its work, HRCS will identify and correctly adjust these erroneous credits and the net result is often a significant income pick-up for the organization.

In addition to the increase in income, HRCS' credit balance remediation work can also save the hospital in CMS and state escheat payments, fines and penalties that can often add up to the equivalent of a large portion of the hospital's annual revenue.

SOLUTION

HRCS will implement its well-proven methodology to quickly and accurately distinguish true credit balances from the false

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ones. By employing proprietary, in-house developed analytical tools, we will identify and correct errors in a fraction of the time than your existing hospital staff would. Because we have flexible resourcing capabilities and cross-trained teams, we are able to dedicate significantly more man-hours per day to resolving your credit balances than the average hospital could manage.

In addition, HRCS shall provide a summary of consistent errors and trends uncovered during the course of the project, along with suggested process improvement actions, if applicable, to help the hospital prevent similar credits from occurring in the future.

If requested, HRCS can review the hospital's credits on an on-going basis to make sure balances stay at a compliant, industry-accepted level.

About Hospital Revenue Cycle Solutions

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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