



Using Data Analytics to Improve Self-Pay Collections, Increase Charity Compliance/Form 990 Compliance, and Reduce Revenue Cycle Cost-to-Collect Ratio

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The Growing Charity Challenge: Form 990 and Health Reform

- According to various sources, 20 to 30 percent of a provider's bad debt is from guarantors who would qualify for charity, but slipped through the cracks in the process (intentionally or unintentionally)
 - A large number of patients meriting financial assistance fail to participate in financial counseling and their accounts are instead allocated to bad debt and sent to collections
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- **Form 990:** The IRS Tax Form for tax-exempt organizations has a question in **Schedule H** dedicated to understanding the size and trends of missed charity
 - Recent healthcare reform is adding emphasis to the issue by increasing financial counseling expectations prior to placing accounts for "extraordinary collections"
 - Working harder is not going to be sufficient to overcome the missed charity issue

The Growing Charity Challenge: Form 990 and Health Reform (Continued)

- **More Concerns**
- Last year, Senate Finance Committee Chairman Max Baucus, D-Montana and Senator Charles Grassley, R-Iowa, both expressed concern over reported charity levels
- Rumblings in Washington, DC: Meet 5% or be **scrutinized**
- These concerns, among others are “forcing” hospitals to reassess their charity care programs
- Continued pressure to **bend the cost curve** within the healthcare system and specifically within the revenue cycle
- Is your charity policy non-discriminatory and defensible, and consistent??

Form 990 -- Schedule H Tax Exempt Hospitals (only)

Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?

Enter the amount of the organization's bad debt expense (at cost)

Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines

2 and 3, and rationale for including a portion of bad debt amounts as community benefit.

Page 2 Question on form 990 – same place you submit unreimbursed cost of Medicare – it also does not count on page 1 as community benefit or in the ratios etc. etc. ---- it's a "put up – or shut up" type question from the IRS

The Cost to Process Charity

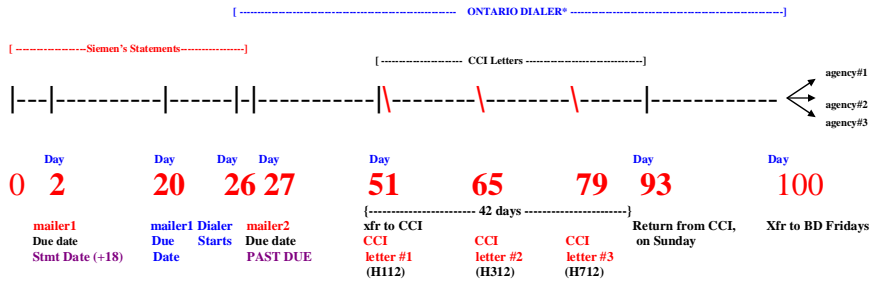
- On average it takes over 30 minutes to review, document/approve/deny a charity application
- Charity “processing” is very costly, **very labor intensive**, no measurable return to the bottom line in terms of increasing net revenue
- Average number of touches to approve a charity application: 3
- Manual information captured from patients results in **SUBJECTIVE QUALIFICATION**
- Is your charity policy non-discriminatory and defensible, and consistent??

The Cost of Missed Charity

- Accounts flow through the patient account cycle
- Accounts get statements – which means postage and stationary – Wasted \$\$
- Collection Teams spend time calling and attempting to contact those that can't pay and have no means to pay – More Wasted \$\$
- Accounts may move on to a letter series, ie: CCI – More Wasted \$\$
- Accounts flow to bad debt & collection agency must notify patient of debt and send statements and letters, increasing their cost-to-collect, which they pass on to healthcare organization in terms of higher collection rates / contingency fees

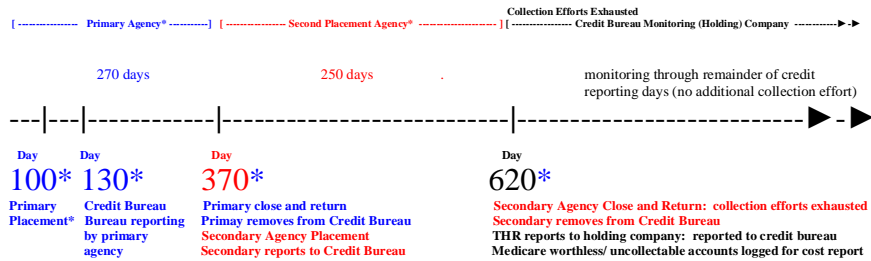
Texas Health Resources Collection Cycle (original)

Central Business Office
 Uninsured & Patient Responsibility
 AR Cycle – FC: S (Un-insured from Prime Bill Date)
 AR Cycle – FC: P,Q (Patient Due after Insurance from FC Change Date)
 Total Ontario Dialer Phone Attempts: 5 (every other week during Dialer campaign)



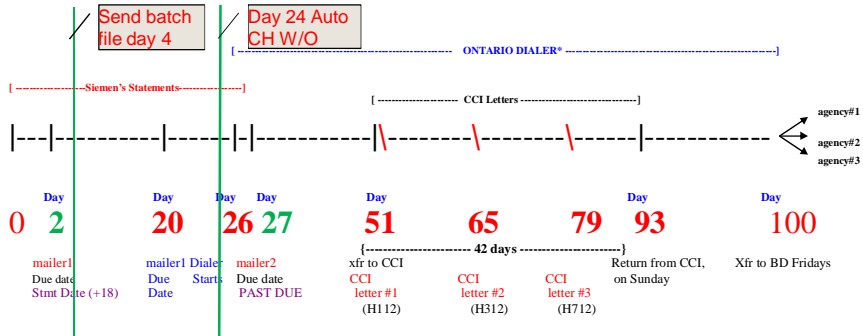
Texas Health Resources Collection Cycle (Cont.)

Central Business Office
 Uninsured & Patient Responsibility
 BD Cycle – FC: S (Un-insured from Prime Bill Date)
 BD Cycle – FC: P,Q (Patient Due after Insurance from FC Change Date)



Texas Health Resources Collection Cycle (Revised)

Central Business Office
 Uninsured & Patient Responsibility
 AR Cycle – FC: S (Un-insured from Prime Bill Date)
 AR Cycle – FC: P,Q (Patient Due after Insurance from FC Change Date)
 Total Ontario Dialer Phone Attempts: 5 (every other week during Dialer campaign)



Presumptive Charity Analytics

- **Presumptive Charity Analytics**, coupled with policy changes, are the leading approach to addressing both day-to-day operational issues of missed charity and form 990 disclosures
- Any hospitals currently using any “presumptive charity” determinations?
- Presumptive charity analytics are models build for poverty classification using publicly available information
- THR is using predictive analytics to evaluate accounts that fail to document charity assistance through the standard financial counseling or charity application process

Form 990

- The presumptive charity approach provides a clear pathway for Form 990 submissions
- The estimated amount of missed charity ending up in bad debt is reduced, many hospitals that are using presumptive charity analytics are now reporting zero on schedule H (see legal council from your own entity)
- The hospital is now able to provide a more accurate view of the actual community benefit provided
- The HC organization is communicating a comprehensive and **proactive** effort to identify and aid the needy/indigent patients – in line with passed federal health reform legislation and a positive message on Form 990 submissions and any other community benefit reports

Hospital Charity Policies

- Hospital charity policies may have to be tweaked to explicitly state that presumptive charity can be conferred/determined based on third-party analytics
- Some hospitals are apprising their internal and external auditors of the decision to implement presumptive analytics – any auditor or tax/compliance input should be incorporated into the charity processes and policies

THR Charity Policy Changes

- A patient who is unable to pay his or her Hospital Bill is encouraged to apply for charity care by completing a charity application.
- It is the responsibility of the patient to actively participate in the hospital's financial assistance screening process and to provide requested information on a timely basis, including without limitations providing the hospital with information concerning actual or potentially available health benefits coverage (including available COBRA coverage, financial status (i.e. income, assets) and any other information that is necessary for Texas Health to make a determination regarding the patient's financial and insured status.
- In certain situations, Texas Health may be able to determine from financial and other information provided by independent third party vendors, that a patient qualifies for charity care even though a charity application has not been completed.

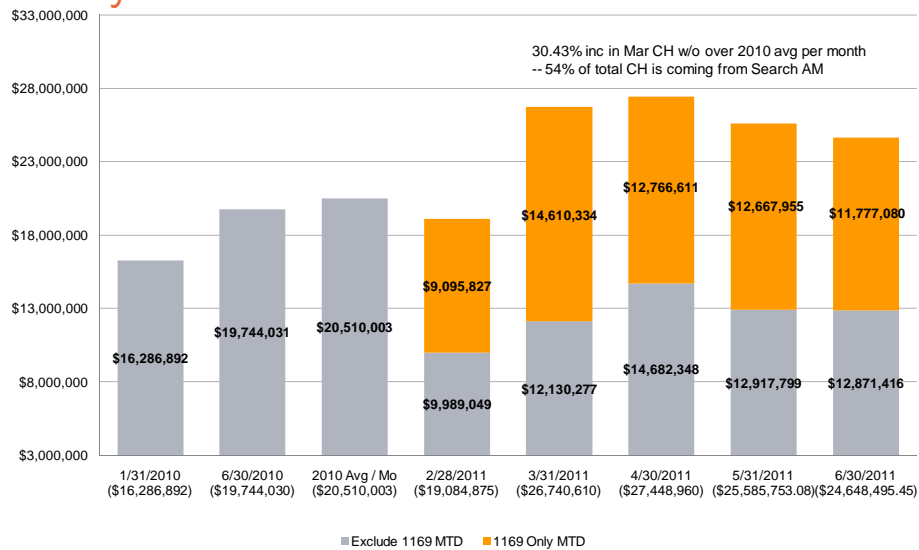
Review of How the process Works

- All patients get a statement – all patients get a billed, nobody gets an “auto write-off” without getting a statement
- After first statement (day 2) a batch file is sent to vendor (day 4) of all ER/Uninsured Accounts – approximately 12,000 accounts per month
- Next day turn-around from vendor with approximately 20 data elements, including credit score, propensity to pay score, family size, estimated family income, and estimated FPL score.
- Patients that meet THR's charity policy guidelines are automatically written-off to charity (new charity code established) – Day 24 (right before second statement is generated --- saving all downstream collection expenses)

Review of How the process Works (cont.)

- The data elements used for the charity determination are auto-populated in Siemens via a 28 record (staff can see the 28 records)
- RPM program looks at 28 records and those that qualify for charity based on THR's Charity Policy are automatically written off to charity
- A Charity Determination form is automatically created – RPMs generates the first party letter out of Siemens
- The Charity Determination form is automatically sent to Siemens Document Imaging

THR Consolidated Charity Adjustments by Month



Siemens Custom Letters

- Using Siemens Custom Letters a [Charity Determination Form](#) can be generated
- Data is Captured from the Analytics Company
- Data is uploaded into Siemens Patient Accounting
- Data is plugged into the custom form: Charity Determination Form
- Charity Determination Form is automatically stored in Siemens Document Imaging
- Created special file folder for these forms for easy retrieval
- Form can be retrieved for audit purposes, internal, external, state audits, etc.
- The form demonstrates why the charity write-off was approved – it shows the information that we had at that time



Charity Determination Form

Arlington Memorial Hospital
Harris Methodist Hospitals
Presbyterian Hospitals

500 E Border Street # 130
Arlington, Texas 76010
682-236-3000 / 800-890-6034

John Wayne
4613 Regency Lane / Tyler, MD 60048

Patient Name:	John Wayne
Patient Birth Date:	10/04/1938
Patient Age:	073
Date of Service:	12/18/2010
Hospital Visited:	Texas Health Resources - THD
Account Number:	0400326992
Attending Physician:	Sellers, Bradley
Total Charge Amount:	\$ 19,395.00
Hospital Service:	EMR
Account Type:	0
Guarantor Employer:	
Insurance Statue:	<u>Uninsured</u>
Charity Determination Factors / Charity Policy Review	
Federal Poverty Level Score:	163
Payment Advisor Score:	439.0
Estimated Annual Income	\$11,200
Payment Advisor Propensity to pay:	L
Family Size:	4
Charity Adjustment:	\$11,637.00

Based on the above indicators and the THR Charity Policy, the above patient qualifies for Charity.

Charity Determination Date: 01/25/2011

04003200992 01/25/2011

ER / Self-Pay Collections – Baseline Report

2009				2010				2011			
	CHARGES	PAYMENTS	%		CHARGES	PAYMENTS	%		CHARGES	PAYMENTS	%
JAN	\$20,745,269.47	-\$274,203.38	1.3218%	JAN	\$32,735,787.21	-\$404,237.04	1.2348%	JAN	\$42,804,950.45	-\$560,766.68	1.3101%
FEB	\$19,028,891.89	-\$243,292.46	1.2785%	FEB	\$29,398,240.03	-\$357,795.07	1.2171%	FEB	\$42,379,288.41	-\$537,108.24	1.2674%
MAR	\$22,256,965.15	-\$312,682.06	1.4049%	MAR	\$34,786,869.70	-\$422,289.73	1.2139%	MAR	\$47,524,449.12	-\$532,022.78	1.1195%
APR	\$22,209,658.66	-\$248,331.90	1.1181%	APR	\$32,272,437.75	-\$397,243.36	1.2309%	APR	\$43,914,519.58	-\$463,736.92	1.0560%
MAY	\$24,074,808.06	-\$205,909.20	0.8553%	MAY	\$33,512,522.78	-\$375,326.88	1.1200%	MAY	\$48,100,670.57	-\$513,429.19	1.0674%
JUN	\$25,886,484.25	-\$307,996.47	1.1898%	JUN	\$35,560,143.10	-\$456,868.93	1.2848%	JUN	\$47,845,928.34	-\$587,223.30	1.2273%
JUL	\$27,612,444.46	-\$337,824.73	1.2235%	JUL	\$32,025,581.60	-\$495,624.93	1.5476%	JUL			
AUG	\$25,279,780.42	-\$361,695.95	1.4308%	AUG	\$41,330,898.02	-\$454,144.78	1.0988%	AUG			
SEP	\$24,599,306.84	-\$390,398.85	1.5870%	SEP	\$39,868,950.36	-\$419,594.99	1.0524%	SEP			
OCT	\$23,968,785.76	-\$366,590.64	1.5295%	OCT	\$42,194,136.16	-\$491,646.51	1.1652%	OCT			
NOV	\$29,606,454.74	-\$427,984.58	1.4456%	NOV	\$40,236,427.36	-\$457,728.91	1.1376%	NOV			
DEC	\$30,118,340.16	-\$345,516.94	1.1472%	DEC	\$39,550,195.34	-\$473,710.36	1.1977%	DEC			
TOTAL	\$295,387,189.86	-\$3,822,427.16	1.2940%	TOTAL	\$433,472,189.41	-\$5,206,211.49	1.2010%	TOTAL	\$272,569,806.47	-\$3,194,287.11	1.1719%

THR Consolidated Bad Debt & Charity Write-offs (YTD - Actual)

CBO Actual Write-offs	Consolidated
Bad Debt Write-offs	120,904,430
Recoveries	(15,059,267)
Actual Net Bad Debt	105,845,163
Bad Debt Budget	154,223,413
Variance - Favorable (Unfavorable)	48,378,250 Favorable
Actual Charity Write-offs	135,676,725
Charity Budget	93,667,754
Variance - Favorable (Unfavorable)	(42,008,971) (Unfavorable)
Bad Debt & Charity Combined Actual	241,521,888
Bad Debt & Charity Budget	247,891,167
Variance - Favorable (Unfavorable)	6,369,279 Favorable

The ROI / Cost Savings

- **Reduced Collection Expense:**
 - \$400,000 per year on reduced postage and stationary and CCI Letters (\$4.0 million over 10 year)
 - 12,000 accounts sent monthly – 52% qualify ($6240 \times \$5.50 = \$34,320$ per mo) = \$412k per year = \$4.2 million over 10 years
- **Increase in Collector Productivity:**
 - The very first full month after implementation, the self-pay collection team had the highest collection month in the history of THR – Staff is focused on those accounts that should pay and have the ability to pay
 - Worklists/dialer pools are now being created based on collectability/scores
- **Staff Reductions / Re-Deployments:**
 - Reduced department by 4 FTEs -- \$120k per year (\$1.2 million over 10 years).
- We're delivering a high quality patient experience while collecting more cash, and at a significantly lower cost --- THR's CTC is now .9%

Conclusion & Next Step

- The presumptive charity approach provides a clear pathway for Form 990 submissions
- The estimated amount of missed charity ending up in bad debt is reduced, many hospitals that are using presumptive charity analytics are now reporting zero on schedule H (see legal council from your own entity)
- The hospital is now able to provide a more accurate view of the actual community benefit provided & provide a positive message on form 990
- Adopting a presumptive charity analytic, embedded in the Siemens patient accounting system, is a straight-forward, cost-effective solution to a problem of significant public concern
- The continuing increase in self-pay revenue make it clear that a smarter approach to self-pay collections and charity determinations are needed – using Data Analytics is one such solution. We have to be more strategic in how we approach self-pay collections.

Conclusion & Next Step (Continued)

- The Data Analytic tool is being installed at registration (web-based) to be used on a case-by-case basis for up-front and financial counseling decisions --- currently only used in batch process format after first statement
- Eventually the plan is to replace the back-end batch process and go to an entirely real-time process at registration

Sub-Policy Qualifiers: Master Policy - ALLOWANCE Sub-Policy - SAM 1169

File Edit View Tools Help

SIEMENS

GROUP 1
Base Qualifier Set

INST PLAN ID IN 930.951
INST TOTBAL EQ 0.00
BAL PT BAL IN 200.00 THRU 49999.99
NO OF INS SEGS EQ 1
USER CMPNT ID EQ 2SAMPASC
With USER TEXT IN ICL
USER CMPNT ID EQ 2SAMFPLP
With USER TEXT IN 000 THRU 200
FC EQ S
BAL TOT CHG AMT IN 325.00 THRU 82000.00
Has No CMNT COMMENT (1.7) EQ HILB PF
Has No CMNT COMMENT (1.7) EQ SARP PF
Has No CMNT COMMENT (1.7) EQ HILB RG

Group 1
Of 1

Search

Sub-Policy
Select
Add
Qualifier
Action

Return

Sign Off

Modification Window: Mode - Add Or Insert

Component [] Starting Position []
Segment [] Length []

Operand []

Value [] Starting Position []
Component [] Length []
Segment []

Base Set Compare Set Change Delete With
OR Has No Mark Cluster New Group Save

GENERATE AN ALLOWANCE - ACCOUNT DETAIL

File View Tools Help

SIEMENS

Master Policy Description: ALLOWANCE Category: ALLOWANCE

Facility: TEXAS HEALTH HEART & VASCULAR ARLINGTON

Sub-Policy ID: SAM 1169 Sub-Policy Priority: 25

Unit Level Selection

Unit Process Indicator

- Process when a payment from the selected insurance posted to the unit(s).
- Writeoff 100% of selected insurance balance for all units with the same date (except first unit with date).
- Mark all units with the same date (except first unit with date) as billed to the selected insurance.

Service Code * 0001169

Payer Selection Indicator *

- Specified Insurance
- Primary Insurance
- Patient

Current Allowance Rate	Allowance Rate 1 Stop Date	Allowance Rate 2 Stop Date	Allowance Rate 3 Stop Date
Formula Code * 001			
Amount Indicator * 02	Service Date	Percent Value 1.0000 CR	Amount Value 0.00 CR

Save Delete

Search

Master Policy

- Select
- Add
- Information

Sub-Policy

- Select
- Add
- Qualifier
- Action**

Return

Sign Off

Presentation2[Compatibility Mode] - Microsoft PowerPoint

Home Insert Design Animations Slide Show Review View Format

Normal Slide Sorter Notes Page Slide Show Slide Master Handout Master Notes Master

Ruler Gridlines Message Bar Show/Hide Zoom Fit to Window Zoom

Color Grayscale Pure Black and White Color/Grayscale

New Window Arrange All Cascade Move Split Window Switch Windows + Macros

OAS/Gold Client - Microsoft Internet Explorer provided by Texas Health Resources

http://oasg/hr_prod/client/D0ADAZX.html

File Edit View Favorites Tools Help

OAS/Gold Client

PI Name PI No Acct Type O OP

Reg Dt: 2/21/2011 PI Type: Y Med Rec No Svc Fac: A0AD
 Dech Dt Dist Cd: Hosp Svc: EMR Birth Dt: 3/8/1975 Ins 1 Cd: 930
 Expr Ind: FC: S Cr Rate: Pay Rate: User BLHid 1: Acct Bal: 0.00
 Print FC: X

7/8/2011 09:12 User ID: SAEAL

Detail Selection - Account

Detail Selection

Detail View

Complete Prorated

Svc Date: From To Order AGD
 Post Date: Opt
 Svc Code: 0001169 0001459

All Charges Ancillary Charges Payments
 Late Charges Statistic Charges Adjustments
 Room Charges Balance Transfers Comments

CDM Desc: Technical Search

Complete Detail View - Select A Line For Service Code Inquiry

Svc Date	Post Date	Svc Code	Amount	Desc/Comment	Ref Date	Bal
04/30/11	04/30/11	1459	-817.05	UNINSURED DISCOUNT		
08/28/11	08/28/11	1169	0.00	ALLW-BTM LINE PT 19328		
08/28/11	08/28/11	1169	-1225.58	CHARITY DETERMINATION ADJ		

Page 1 of 1

Maximize Clear Help

Overview

- Demographic
- Financial
- Insurance
- Payment Arrangement
- Name & Address
- Account Detail
- Charge Summary
- Prorated Detail
- PayAdj Detail
- Detail Selection**
- Diagnosis
- Procedures
- DRG
- Claim Selection
- Claim Summary
- Reimb Summary
- Claim Detail
- Expected Results
- User Data
- Insurance

Sub-Policy Qualifiers: Master Policy - SIEMENS LETTER Sub-Policy - FPL L126

File Edit View Tools Help

GROUP 1

Base Qualifier Set

DTL SVCCD WOSCD EQ 1169
 With DTL POST DATE EQ -1
 BAL ACCT BAL EQ 0.00
 FC EQ S
 INS1 PLAN ID IN 930.951
 INS1 TOT BAL EQ 0.00
 NO OF INS SEGS EQ 1

Group
 Of

Search

Sub-Policy

Select

Add

Qualifier

Action

Return

Sign Off

Modification Window: Mode - Add Or Insert

Component
 Segment

Starting Position
 Length

Operand

Value
 Component
 Segment

Starting Position
 Length

Base Set Compare Set Change Delete With
 OR Has No Mark Cluster New Group Save

GENERATE FIRST PARTY LETTERS

File View Tools Help

Master Policy Name Category

Master Policy Description

Facility

Sub-Policy ID Sub-Policy Priority

First Party Letter Payer Indicator

Generate a Letter for Specified Insurance
 Generate a Letter for the Patient
 Generate a Letter for the Primary Insurance Payer

First Party Letter Process Indicator *

Generate PA First Party Letter
 Update PA only for Custom First Party Letter

First Party Letter Number

Save Delete

Search

Master Policy

Select

Add

Information

Sub-Policy

Select

Add

Qualifier

Action

Return

Sign Off

Siemens – Tools Used

- **Siemens Contract Manager** used to take the self pay discount at time of billing.
- **Siemens ad-hoc** report to create file to send to vendor on uninsured ER patients.
- **Siemens 28 records** used to store values to report off of/automation
- **Siemens RPM** line used to take Charity adjustment
- **Siemens RPM** line used to request charity form (FPL)
- **Siemens Custom Letters** used to create form
- **Siemens Document Imaging** used to store the form

Thank you for attending ---

- Questions?
- **HFMA Lone Star Chapter Presentation**
- **Contact Information**
- James Logsdon
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- 682-236-3013