



## Decreasing Accounts Receivable Depreciation The Silent Destroyer

By Ann Chandler, HFMA, Director, Early Out and Special Projects, RMB, Inc.

Accounts Receivable Depreciation is a silent destroyer of the profit margins of many hospitals and providers. Accounts are less collectable as they age. This holds true for both the insurance portion and the patient portion of the account balance. Data from the US Department of Commerce indicates that after ninety days accounts start depreciating faster and at six months, only thirty (30%) of your money will be collected. Recovery maximization starts when you receive notification that services will be provided. Accounts depreciation starts when the patient is discharged. Start early, recover more, is what collections and reducing accounts depreciation is all about.

### Assessing the Damage

The first step in reducing accounts receivable depreciation is to complete a quantitative and qualitative assessment to determine your current state and identify breaks and leakage points. A quantitative review of an accounts receivable aging will give you a snapshot on the age of your accounts but it is not sufficient to identify issues and improve your performance. The goal is to complete a qualitative review to identify the weaknesses or breaks in your procedures that prevent or delay collections and denials on accounts receivable. Addressing those issues will decrease your accounts receivable depreciation.

A qualitative assessment should include discussions with Scheduling, Insurance Verification, Precertification, Registration, Insurance Billing and Follow-Up, and Denial Management. Discussions with Medical Records and Ancillary Departments may be required if late charges and coding are preventing or delaying billing. As insurance billing deadlines decrease, it is imperative that you get your claims billed timely, follow-up to ensure the claim was received and identify any issues preventing payment. Often times, billers are correcting recurring errors when there is a fix for the problem. Staff may have deviated from defined procedures because of training issues, system issues, lack of information, or lack of resources. Claims generation may be delayed due to charge entry and coding issues. Many qualitative assessments have determined that management really doesn't know what is going on at their facility.

A qualitative assessment should provide answers to the following questions and provide the basis for an action plan:

- What information is scheduling or registration missing?
- Are physicians providing you with patient demographic and insurance information at the point of scheduling?

- Are you identifying the patient portion and communicating payment expectations prior to service?
- Are you requesting patient portions at the point of service?
- Are your charges captured timely?
- Are your claims coded timely?
- What type denials are you receiving?

### Implementing the Plan

The key to reducing accounts receivable depreciation and increasing profit margins is to shorten the cycle times from discharge to billing and billing to payment. Maximizing recovery is best handled by activities to prevent default or delinquency, thereby reducing the billing cycle and/or payment cycle. Internal efforts should focus on default prevention and cycle reduction times. After the assessment, you can identify breaking points that increase cycle times, design a plan of improvement, implement the plan and identify key performance indicators to track progress. Late charge reports and Discharged Not Final Billed Reports (DNFB) are valuable tools to track charge entry and coding. Since charge entry and coding are an integral part of getting bills out timely, but most often does not fall under Patient Financial Services, it is imperative that you work closely with other departments to obtain buy-in for procedural changes, establish and communicate key performance indicators, and obtain administrative support.

A collection policy should be written, communicated to patients and staff, and supported by administration. Collection policies should identify how patient balances will be identified, establish payment expectations at the time of services, set guidelines for payment arrangements, and identify service rendering policies if the patient cannot meet payment expectations. To improve accounts receivable depreciation, the patient portion should be identified and collected at the time of service. If patient portion cannot be identified, payment expectations and payment policies should be discussed with the patient.

After discharge, claims should be billed timely and worked timely to ensure claim receipt and payment. An assessment may identify process improvement or education opportunities that allow staff reallocation to follow-up processes. If reallocation does not allow you to work all your

*(Continued on next page)*

