

## Health System Improves Medicare Bad Debt Recovery Through Partnership With R-C Healthcare Management

### Highlights

#### Profile

- East Coast Health System
- \$3.3 billion NPR
- Non-profit
- 14 hospitals
- 5 states

#### Challenge

- The health system had worked with a solution provider for 10 years to identify and recover Medicare bad debt
- During the final two years of the relationship, bad debt recoveries began to decrease and the solution provider was not willing to effectively utilize the technology the health system had in place
- This technology included a clearinghouse that centralized all of their accounts receivable data

#### Solution

- The health system partnered with R-C Healthcare Management to improve both traditional and non-traditional Medicare bad debt
- R-C Healthcare uses sophisticated technology to identify Medicare bad debt opportunities through the health system's clearinghouse
- R-C also provides support to help defend the health system during Medicare audits

#### Results

- R-C Healthcare identified an additional \$3.2 million in Medicare bad debt for 2010 that the previous company had missed
- After their initial review, R-C Healthcare recovered approximately \$750,000 for the health system from a major Advantage carrier
- The health system has not seen a significant impact from Medicare audits since R-C has been in place

Although not always considered when looking for opportunities to maximize revenues, Medicare bad debt reporting presents an opportunity for many healthcare organizations looking to improve their overall financial health. When a hospital or health system is unable to collect residual balances from Medicare beneficiaries, Medicare may reimburse these bad debts. The problem for many healthcare organizations is this process must be done strategically and in accordance to CMS guidelines. Often, this requires resources or expertise that the healthcare organization does not have. CMS has developed the following criteria for allowable Medicare bad debt:

- The debt must be related to covered services and derived from deductible and co-insurance amounts
- The provider must be able to establish that reasonable collection efforts were made
- The debt was actually uncollectable when claimed as worthless
- Sound business judgment established that there was no likelihood of recovery at any time in the future

For accounts to remain compliant with these guidelines, healthcare organizations must demonstrate that reasonable collection efforts were made and that these efforts lasted at least 120 days after the first bill. Also, healthcare organizations cannot use collection practices that differ between accounts with private payers and those with Medicare. It is important to note, fiscal intermediaries consider the use of collection agencies to be a continuation of any attempts to collect, and an organization cannot determine an account to be uncollectable while still attempting to collect on that account. For healthcare organizations looking to maximize Medicare bad debt recoveries, these regulations make it necessary to generate and maintain a bad debt log, document collection efforts, maintain strong collection agency management, and track Medicare recoveries. Without the correct expertise or technology in place, efficiently recovering Medicare bad debt can be cost prohibitive for many healthcare organizations.

A health system based on the East Coast had identified Medicare bad debt as an area that could help improve their financial health. The Academy recently spoke with the health system's revenue cycle recovery leader about their Medicare bad debt recovery efforts and their partnership with R-C Healthcare Management.

*"[R-C Healthcare] is a breath of fresh air and low maintenance. I have not had to intervene on any data acquisition that they have needed."*

– Revenue Cycle Recovery Leader  
East Coast Health System

#### Challenge

While hospitals throughout the health system currently operate with disparate legacy systems, the organization utilizes a clearinghouse based in Chicago as a single database to manage their accounts receivable. This clearinghouse facilitates the outsourcing of many of the health system's accounts receivable processes, including the outsourcing of Medicare bad debt recovery. The health system had a relationship with a solution provider for approximately 10 years, but during the last two years of that relationship, the Medicare bad debt identified decreased dramatically according to their revenue cycle recovery leader. In 2009, the health system identified approximately \$6 million in

Medicare bad debt, and in 2010 that number decreased to approximately \$3 million. “[The solution provider] started acting more like Medicare auditors than vendors working for us to help maximize recoveries,” the recovery leader explains. He also notes that working with this solution provider became increasingly more labor intensive and they resisted utilization of the health system’s clearinghouse.

### Solution

In 2011, the health system began looking at other options for outsourcing their Medicare bad debt recovery. Through contacts at a consulting firm they had worked with, the health system learned about R-C Healthcare Management. In June of 2011 the organization began working with R-C Healthcare and as the recovery leader explains, they began to see immediate impacts, “The biggest change was during the previous three years, the predecessor firm became more labor intensive and high maintenance for the health system,” he states, “It was immediately that we went from a high maintenance relationship with the predecessor to low maintenance with R-C Healthcare.”

With direct access to the health system’s clearinghouse, their legacy systems, and the electronic billing firm they use, R-C Healthcare is able to work remotely on both traditional Medicare bad debt and non-traditional Medicare bad debt such as Medicare Advantage and Medicare managed care. To recover non-traditional Medicare bad debts, the health system assigns a rep code to the accounts R-C healthcare is working. Through their access to the organization’s system, R-C uses their data mining technology to investigate all payments made and determine the amounts that can be claimed as Medicare bad debt. R-C then sends a list of those accounts to the recovery leader who forwards it onto the clearinghouse with instructions to assign them R-C’s unique rep code, and R-C then submits the list to the payer. Once payment is received by the health system, the business office posts the transactions and it goes through the legacy system to the clearinghouse where it is automatically credited with R-C’s rep code to track performance.

Initially, R-C Healthcare reviewed all of the health system’s Medicare Advantage accounts for one of their larger carriers and a few months later the recovery leader explains, he had a stack of mail from the carrier waiting in his office, “I open the first envelope and there is a check. I open all of them and [the total] is \$775,000. It is not every day that happens.”

For traditional Medicare bad debt, the recovery leader says that R-C’s provides a report to the health system’s reimbursement staff. Staff then reports this information on the Medicare cost report, and the health system only pays a commission to R-C based on the validated bad debt Medicare accepts.

### Results

The recovery leader was surprised by the immediate results R-C healthcare provided, “The striking thing was, they were able to immediately step in and defend us on audits concerning previous years. [And] they, in fairly short order, identified an additional \$3.2 million in Medicare bad debt that brought us back up to where, and then some, to where we thought we should have been,” he says. That additional \$3.2 million recovered by R-C Healthcare was Medicare bad debt missed by their predecessor for fiscal year 2010. Then for fiscal year 2011, R-C identified a total of approximately \$7 million in Medicare bad debt. The recovery leader attributes much of this success to R-C Healthcare’s technical ability with regards to sophisticated databases.

In addition to the bad debt recovery, R-C has helped with Medicare/Medicaid crossover, and charity care. “They have been very successful in the audits we have had since we engaged them which has involved data as reported by the predecessor firm. We have not taken any major hits since we transitioned to R-C on the audits,” the recovery leader says.

For revenue cycle leaders in a similar position, the recovery leader at this health system offers a piece of advice, “Don’t ignore the Medicare Advantage, which is going to realize at least \$1 million a year in what we call ‘new money.’” He further explains, “Some of the excuses we made ourselves was that the contract doesn’t have any wording in it about bad debt or there isn’t a contract. But, if you don’t ask you don’t get, and in [some] cases the contractual language is not there, but then the managed care company pays.”

### About R-C Healthcare Management:

- R-C Healthcare Management helps hospitals generate revenue by optimizing existing data reporting
- They offer both on-site wage index review services and wage index improvement services designed to increase the hospital’s reported average hourly wage and the area wage index
- They also offer Medicare bad debt recovery services for both traditional and non-traditional Medicare bad debt

