

TREND HEALTH PARTNERS

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CENTRAL PA HFMA
SPRING MEETING

The Hidden Drag on Your Net Revenue

How credit balances can be impacting your revenue
cycle performance



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KING'S DAUGHTERS



Sarah Armstrong

Why should we care about credits?

COMPLIANCE

Payer contract requirements
State and Federal Regulations
Internal and External Audit requirements.

NET REVENUE

Reserve methodologies assume a certain percentage of credits are true overpayments – many up to 100%

PAYER RELATIONSHIPS

Identifying and refunding overpayments is a contractual requirement. Keeping your books clean can help with negotiations.

PATIENTS

Balances stuck in insurance liability buckets while waiting for a credit resolution can delay patient billing, causing frustration and financial strain

Compliance Considerations



01

18 U.S.C § 669 states that a provider cannot knowingly keep an overpayment that is rightfully due to a commercial insurance company

02

The False Claims Act requires providers to report and return credit balances to government insurers and PPACA sets the 60 day from credit creation requirement

03

Many states, including Pennsylvania, require unresolved credits (either patient or insurance company) to be reported through Unclaimed Property processes

<https://compliancecosmos.org/theft-or-embezzlement-connection-health-care>

How do Credit Balances impact your net revenue?



All credits are fully reserved



A portion of credits are reserved



It's a finance function and this is not shared with revenue cycle

Net Revenue Impact of Credit Balances

	High Impact	Medium Impact	Low Impact
Total Credit Balance @ 3%	\$30,000,000.00	\$30,000,000	\$30,000,000
% Reserve for Refund	100%	50%	25%
% Reserve for Contractual	0%	50%	75%
\$ Reserve for Refund	\$30,000,000	\$15,000,000	\$7,500,000
\$ Reserve for Contractual	\$-	\$15,000,000	\$22,500,000
% Refund	20%	20%	20%
% Contractual	80%	80%	80%
\$ Refund	\$6,000,000	\$6,000,000	\$6,000,000
\$ Contractual	\$24,000,000	\$24,000,000	\$24,000,000
Net Revenue Impact	\$24,000,000	\$9,000,000	\$1,500,000



Why do we create so many credits?



False Credits are just an indication that something is broken upstream



REGISTRATION

Third-Party Liability
MSPQ
Filing Order



CONTRACT MANAGEMENT

Maintaining payer contracts and code sets can be resource intensive, but not as expensive as all the clean-up efforts!



CASH POSTING

Processing of remits is complex (PLB segments) and mispostings can cause false credits



DUPLICATES/COB

Sometimes the payers don't have the right information and pay in the wrong order, or are unaware of an accident or worker's compensation coverage



Possible solutions to better credit balance management



Possible Solutions

01

**Assign more
resources**

02

**Automate false
credit clean-up**

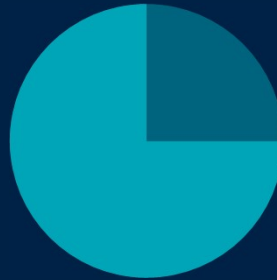
03

**Leverage a
partner**

What percentage of your accounts in receivables are you able to work every 30 days?



100%



75%-99%



50%-74%



What if....

You could reallocate?



Here is what you need to ask yourself...



Do you have the staff to deploy?



Do you have the commitment?



Do you have the time?



How much is fighting the payers worth to you?



Q & A

False Credits

70-80% of all credit balances are typically a False Credit. These credits do not require a refund, rather a correction of a non-cash transaction.

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#1 Duplicate Adjustments
 Commonly, contractual discounts posted multiple times, typically caused by automation (or manual) postings at two different stages - pricing and then again during payment posting.

RECOMMENDATIONS

- Post discounts at pricing
- Create analytics to identify credits after payment due to duplication

#2 Contractual Variances
 Contractual configuration errors (i.e. Modifier 50) or timing due to contract updates can cause high volume of false credits.

RECOMMENDATIONS

- Regularly review payer contract update process for opportunities to accelerate updates
- Know the update schedule

#3 Registration Errors
 Incorrect Plan Code Errors due to incorrect patient registration causes both debit and credit errors since contractual pricing is based on the Plan Code.

RECOMMENDATION

- Use analytics to identify most common registration errors to provide staff education and logic validation

#4 Denial Write-Offs
 When denial write-offs are posted and the Insurance Payer makes payment on that original denial, the credit balance will typically equal the write-off amount.

RECOMMENDATION

- Use analytics to identify payments after denial write-off transaction codes with rules to reverse the write-off

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Checklist

THANK YOU



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