

Data Study: A Year-End Bad Debt File Review

A comprehensive bad debt review of a large health system

ABOUT: TransUnion Healthcare performed an exhaustive, patient-level, financial and demographic assessment on a large health system's data file that included more than 60,000 self-pay, bad debt account records.

CHALLENGE: The purpose was to financially assess bad debt accounts, validate their status, re-classify certain accounts to charity and help the health system comply with annual IRS reporting requirements.

SOLUTION: [Patient Financial Clearance solutions](#), including Identity Verification, Propensity to Pay and Financial Aid batch, returned patient financial insights, such as estimated minimum household income, estimated family size, estimated FPL%, Red Flag warnings, and propensity-to-pay scores to assess bad debt accounts.

IMPACT: The result was an end-of-year snapshot of the entire bad debt population that highlighted areas where the provider could realize a significant benefit to its charity determination, cash collection and Red Flags prevention strategies.

Result Highlights

\$66M

Bad debt that the provider could reclassify as charity

\$850K

Estimated increase in cash collections

Value of Reclassifying Bad Debt Accounts to Charity Care



Based on this batch review, TransUnion Healthcare helped identify 86% of patients with some level of charity potential. Another 13% indicated some level of charity potential, but also had financial resources to pay their balances in full.



Looking at capacity and propensity to pay, 23% of patients had some or a strong ability to pay, while 9% overall had very high propensity to pay (680+ credit score).



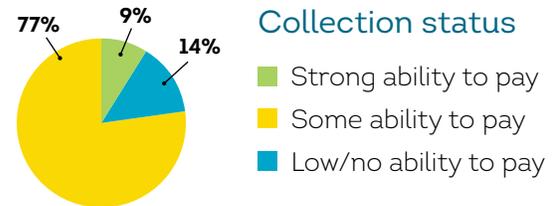
By segmenting and identifying this population early, the provider has the opportunity to empirically validate charity candidates, increase patient compliance with completing program applications, adhere to IRS 501(r) reporting requirements, reduce bad debt, increase cash collections and leverage a robust Red Flags management solution—all in real time.

Assessment Results by Category

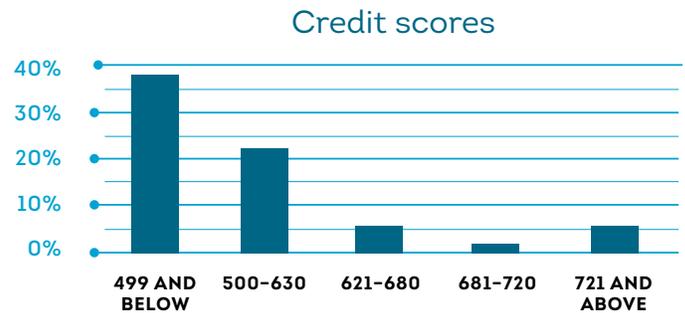
FINANCIAL AID STATUS: This analysis segments the patient population by charity care status and FPL% based on HHS standard guidelines, the provider's charity guidelines, the estimated minimum household income and estimated family size. **Eighty-six percent of patients** had lower estimated income in combination with estimated family size, falling under the provider's charity guidelines.



COLLECTION STATUS: This analysis segments the patient population by examining each patient's available financial resources, resulting in a status that indicates their collectability as it relates to credit capacity and/or income. **Twenty-three percent of patients** had strong or some ability to pay – representing over \$20 million in potential cash collections.

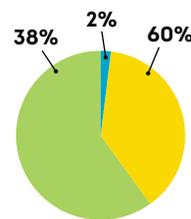


CREDIT SCORES BREAKDOWN: This analysis segments the patient population by their credit score. A higher score indicates a higher propensity to pay. The score range is 150–850. **Nine percent of patients** had a strong propensity to pay (at least a 56% chance to pay in full within 90 days).



IDENTITY CORRECTNESS STATUS AND RED FLAG WARNINGS:

This analysis segments the patient population as it relates to identity and demographic correctness status and Red Flag warnings. This information is useful for preventing and detecting fraud and generally maximizing identity management at the time of service or earlier. Of the 38% of patients with Red Flag warnings, 83% of the warnings were for input addresses, surnames or SSNs that did not match the patient file – all prime focuses for [TransUnion's Identity Verification solution](#).



Identity correctness status and Red Flags

- Accurate
- Investigate warnings
- No credit found

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Learn more about TransUnion Healthcare's Patient Financial Clearance solution.

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