



Charity care and bad debt prevention toolkit

Follow these checklists to evaluate your revenue cycle performance

Skyrocketing costs are forcing many of your patients to toss their healthcare bills in the trash, rather than pay them. That proves very challenging when it comes to your revenue cycle.

While some people just won't pay, others can't pay, and you need to be able to differentiate between the two. Doing so starts by conducting an assessment of your revenue cycle performance using The Charity Care and Bad Debt Prevention Toolkit.

This toolkit outlines workflows and metrics from across the industry, offering you invaluable insight on how you stack up against best-practicing organizations.



What's inside:

Revenue cycle assessment. Evaluate your organization's revenue cycle performance with this quick assessment.

Best practice revenue cycle KPIs. Use these market indicators to monitor your revenue cycle performance.

Financial clearance and charity checklist. Complete a readiness assessment on your revenue cycle for charity and 501(r) requirements.

Best practice revenue cycle workflow. Learn where best-practicing organizations are focusing their efforts and ensure that you aren't missing key steps.

High-balance self-pay financial clearance workflow. Determine a patient's financial position so that those who need assistance receive it, and those who can afford to pay, do.

Revenue cycle assessment

To assess your organization's revenue-cycle performance, choose one answer for each of the following questions. If the question doesn't apply to you or you don't have the data available to answer it, move to the next question.

1. What percentage of your scheduled patients are financially cleared pre-service?
 - a. 100%
 - b. 90%
 - c. 75%
 - d. < 50%
2. What percentage of your patients are financially cleared prior to discharge?
 - a. 90%
 - b. 80%
 - c. 60%
 - d. < 50%
3. What percentage of your net revenue is POS (point of sale) collections?
 - a. >0.99%
 - b. 0.7%–0.99%
 - c. 0.59%–0.69%
 - d. < 0.59%
4. What percentage of electronic documentation of financial assistance do you have on uninsured patients?
 - a. 100%
 - b. 90%
 - c. 75%
 - d. < 50%
5. What is your percentage of denial adjustment rate (% of net revenue)?
 - a. < 1%
 - b. < 2%
 - c. < 3%
 - d. \geq 3%
6. What is your percentage of clean claim rate (first pass yield)?
 - a. > 80%
 - b. 60–80%
 - c. 50–70%
 - d. < 50%
7. Approximately what is your percentage of claim scrub for FAP prior to turnover to third party w(% of patients claim file review from EOSP)?
 - a. 100%
 - b. 90%
 - c. 75%
 - d. < 50%

8. What is your bad debt as a percentage of your net revenue?

- a. < 2%
- b. < 3%
- c. < 5%
- d. \geq 5%

9. What is your cost to collect?

- a. < 3%
- b. < 4%
- c. < 5%
- d. \geq 5%

10. What is your charity-to-bad debt ratio?

- a. 4:1
- b. 3:1
- c. 2:1
- d. 1:1

11. What is your AR days?

- a. < 40
- b. < 45
- c. < 50
- d. \geq 50

12. What is the percent balance after insurance pays patient accounts (% at 90 days from discharge)?

- a. < 10%
- b. 20%
- c. 30%
- d. > 40%

Complete the following grid:

Number of "a" responses: _____ x 10 Points = _____

Number of "b" responses : _____ x 5 Points = _____

Number of "c" responses: _____ x 3 Points = _____

Number of "d" responses: _____ x 1 Points = _____

TOTAL _____

Revenue cycle score:

100-120: Your organization has a mature revenue cycle and is achieving financial excellence. In addition, your organization is in the top decile of revenue cycle management. You have put into place best practice workflows and monitoring processes that enable your organization to achieve its financial goals.

Keep momentum going, celebrate success, and continue to monitor your efforts to sustain high performance.

80-99: Your organization has a high-performing, evolving revenue cycle and is performing better than most organizations. Your organization is in the top quartile of revenue cycle management.

Focus your team's efforts on continued improvement and incremental change toward getting to best-in-class performance. Your organization is measuring the right things; you must ensure that you have set S.M.A.R.T. (Specific, Measurable, Action Orientated, Realistic and Timely) goals that you discuss daily with staff.

40-79: Your organization has a performing revenue cycle and falls in the middle of the pack of most organizations in the 50th percentile of revenue cycle management.

Because your staffing is likely tight, consider shifting some back-end resources to the front-end of your revenue cycle to achieve downstream efficiencies. Also, facilitate a strategy planning session during which you identify key performance metrics and put into place standard work to move those numbers.

40 or less: Your organization has some opportunities in revenue cycle but is experiencing workflow and cash flow gaps. Your organization is less than the 50th percentile for revenue cycle management performance.

Resource constraints, staff turnover and technology hurdles are likely causes. Get back to basics and establish three to five priorities for next quarter. Meet daily with your team and weekly with your leadership team to move things back on track.

Where does the score come from?

The benchmarking and scoring is based upon aggregating varying metrics across several industry benchmarks and on our perspective, tenure, exposure and experience within the industry. The research focuses on baseline performance metrics typically encountered in a 175-bed acute care facility. Please adjust accordingly for variations in size, payer mix, type and other factors that could affect the outcome of the metrics.

The spirit of this exercise is to compare your organization's performance at a high level with leading organizations. We strongly encourage you to contact us for more information, tools and strategies that will help you to improve your organization's revenue cycle performance.

Best practice revenue cycle KPIs

Use the following metrics to evaluate your performance in your revenue cycle. These are best-practice indicators from the market. Consistently monitor them to identify key gaps in your processes. In addition, develop policies and procedures based on the metrics to ensure that your employees follow and sustain standard work.

- 100% of scheduled patients are financially cleared pre-service*
- 90% of all patients are financially cleared prior to discharge
- POS collections are > 1% net revenue
- 100% FAP documentation exists on all uninsured patients
- Denial adjustment rate is < 1%
- Clean claim rate is > 80%
- 100% claim scrub for FAP prior to turnover to third party
- EOSP > 90% fund rate
- TPCA > 70% fund rate
- 4:1 charity-to-bad debt ratio
- AR days < 40
- BAI 90 days < 10% of AR

* A funding mechanism is in place with all payment requirements met (payer/patient/program funding established and agreed upon and insurance rules met, including auth, pre-cert, MN, payment, etc.).

Financial clearance and charity checklist

Use the checklist below to evaluate your readiness for revenue cycle for charity and 501(r) requirements. Ensuring that the items on this list are complete and in place is a great first step toward meeting the needs of your patients from a charity and compliance standpoint.

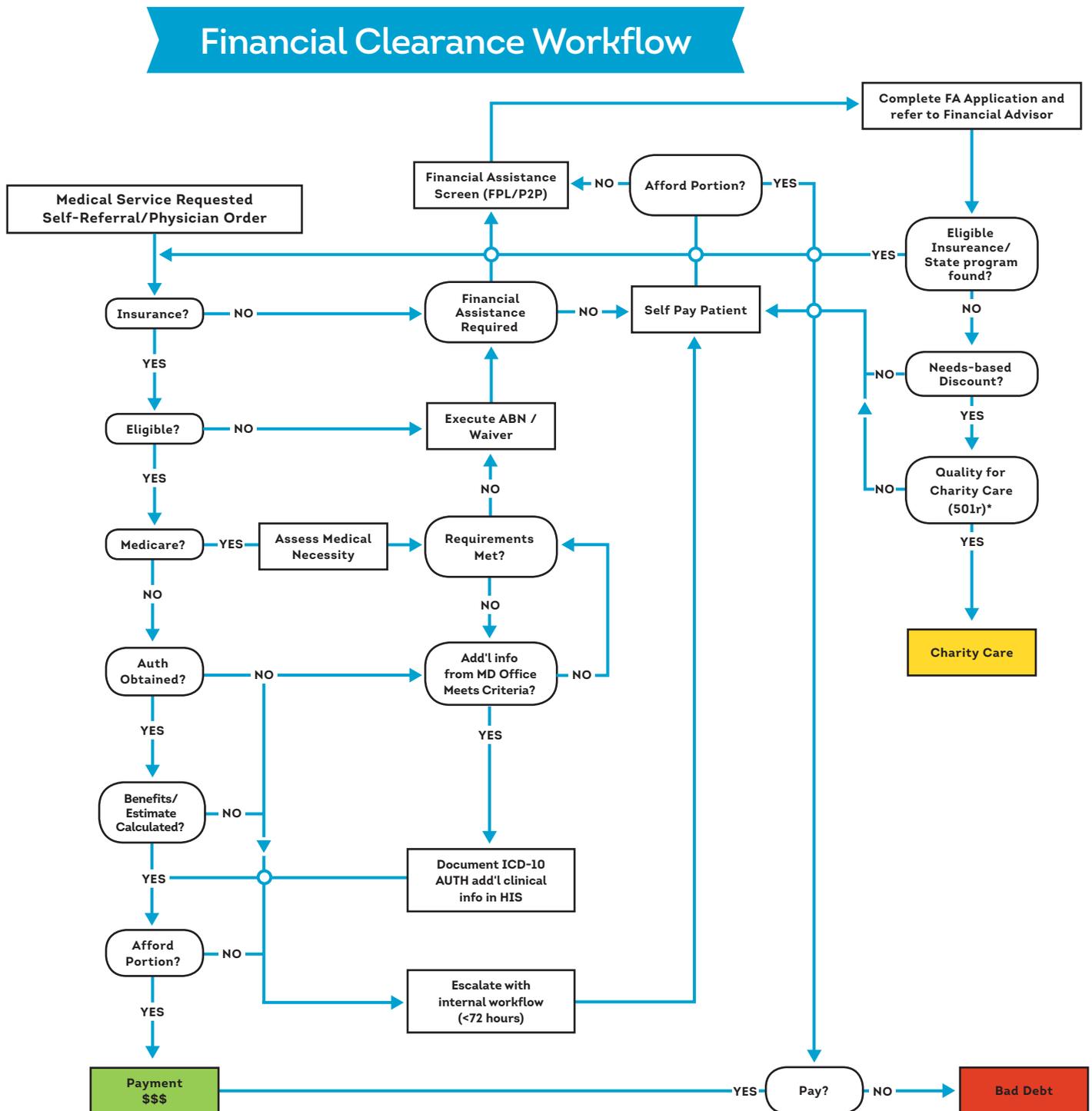
Use this list only as a guide for your program, and meet with your legal and risk departments to ensure that you are fully compliant.

- 501(r) requirements reviewed
- FAP policies reviewed annually and available for Inquiry and distribution
- Debt collection policy reviewed annually
- Website charity assistance information is prominent
- Charity signage is in place at all waiting and intake areas
- Financial Assistance Policy (FAP)
- Statement language for charity assistance is in place
- Financial waiver and HIPAA Hitech Opt Out Form is in place
- Financial counselors (or Certificate of Advanced Study) have been educated about the new rules
- Documentation of FAP in EMR/HIS/Other (for each patient)
- EOSP/TPCA education and P&Ps have been updated
- AGB/LNR is calculated annually and staff can apply the discount
- Documentation AGB/LNR applied for qualified patients
- Second pass complete on pre-collections for charity eligibility

Best practice revenue cycle workflow

Next, the workflow below outlines where best-practicing organizations focus their efforts to ensure that their revenues are maximized within the revenue cycle.

It establishes a process that will let you put into place standard work and ensure that you and staff aren't missing key steps as patients access care within your organization. Each step and decision is a critical component of the financial clearance process.



High-balance self-pay financial clearance workflow

Patients should pay within their abilities. Using the workflow and standard work below can help you determine a patient's financial position, ensuring that folks who need financial assistance and charity care receive it, and those who can afford to pay their bills, do. At the very least, you place people into the appropriate collections workflow to maximize your collection efforts.

High-balance patient account workflow

