

# COOK COUNTY HEALTH & HOSPITALS SYSTEM

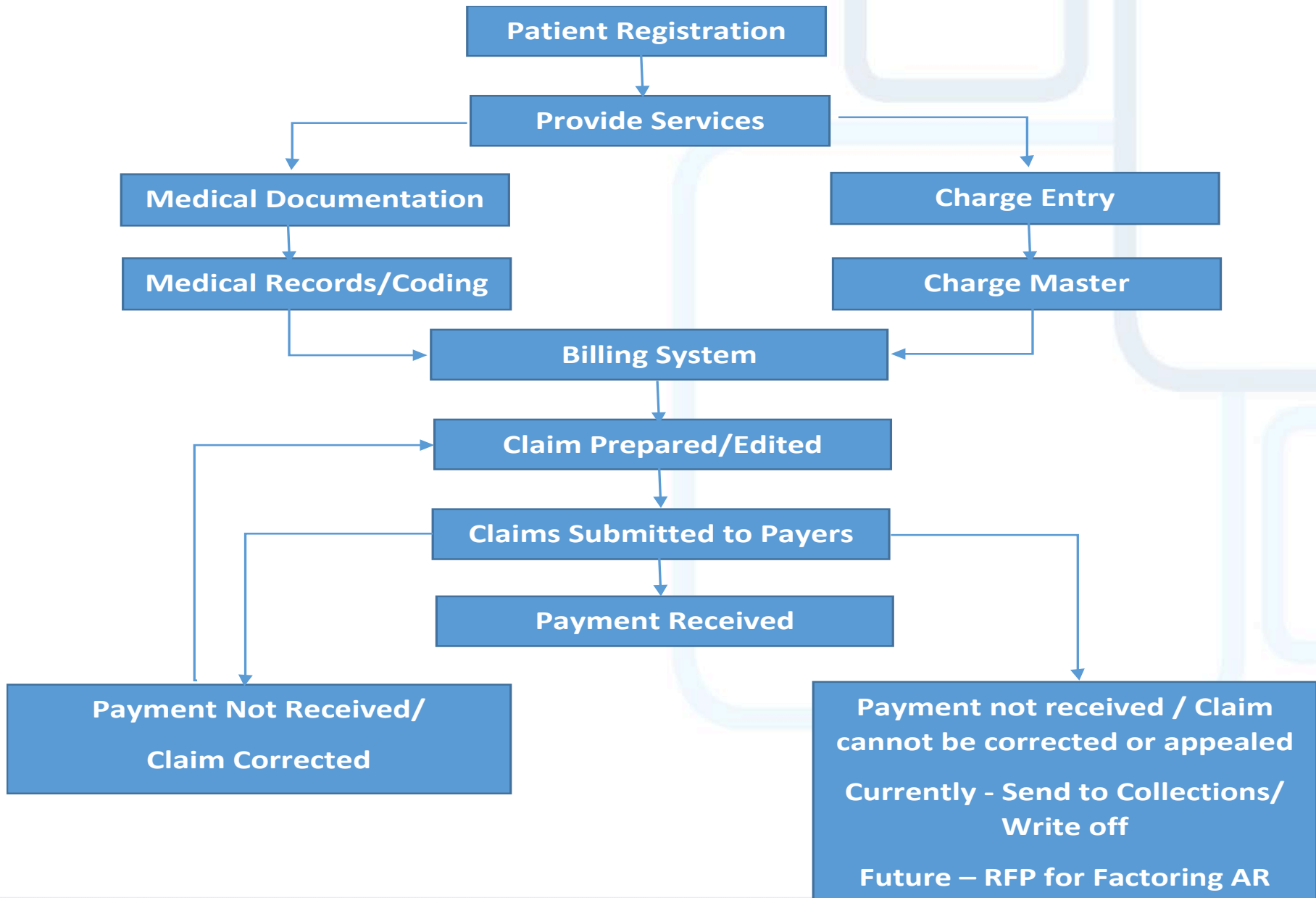


Presentation to the Cook County  
Committee on Finance  
on  
Patient Accounts Receivable (PAR)  
January 17, 2018



COOK COUNTY HEALTH  
& HOSPITALS SYSTEM  
**CC+HHS**

# Revenue Cycle Management



# Health Care Finance Rules & Regulations

There are a number of state and federal laws, rules and regulations regarding financial assistance, billing and collections that all health systems are subject to:

- **IRS Section 501(r) Financial Assistance Requirements**
- **Illinois Fair Patient Billing Act HB4999**
- **Hospital Uninsured Patient Discount Act (HUPDA) Public Act 95-965 and amended Public Act 97-690**



# Important Definitions

## What does Patient Accounts Receivable represent?

Patient Accounts Receivable (PAR) represent the total **charges** for services provided by a health system. Because of contractual agreements, Medicaid, Medicare and self-pay variances, the PAR is not representative of what *any* health system will ultimately collect.

## What is a Charge Master?

All hospitals use a 'charge master' to define the initial list of charges set for thousands of supplies, pharmaceuticals, services and procedures. The charge master is the starting point for negotiations with insurance plans but plays no role in Medicare and Medicaid reimbursements.



# Important Definitions

- **Contractual adjustments** are the *difference* between rates billed to third party payer and the agreed upon amounts that actually will be paid by the Payer.
- **Allowances include** contractual adjustments and bad debt for purposes of calculating net realizable value. An allowance is what a health system will **NOT** be paid.
- **Charity care** discounts are reflected as charity.



# How Gross Charges Roll-Up to the Patient Accounts Receivable

Payer Category	Commercial Insurer	Medicare	Medicaid	Self-Pay with 75% discount	Self-Pay with no discount
% of CCHHS patients	5%	11%	38%	37%	
Gross Charges	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
3 <sup>rd</sup> Party Payments	\$3,600	\$2,000	\$1,000	\$0	\$0
Contractual Adjustments	\$900	\$2,300	\$4,000	\$0	\$0
Charity	\$0	\$0	\$0	\$3,750	0
Patient Responsibility	\$500	\$700	\$0	\$1,250	\$5,000
Patient Payment	\$500	\$700	\$0	\$500	0
Bad Debt	\$0	\$0	\$0	\$750	\$5000

Payer Categories: Commercial Insurers, Medicare, Medicaid and Self-Pay represent the majority of CCHHS payer groups.



# Timeline of a Bill

## Commercial Insurer Bill

1. Services rendered
2. Bill sent to third party payer for \$5,000
3. Insurer could
  - Reject bill - adjust & resubmit
  - Adjudicate and deny bill with reason – using denial management, often requires appeal, corrections further documentation
  - Insurer could pay full or part of billed amount of \$3,600 based on contractual agreement. Contractual Adjustment is \$900
4. After adjudication, self pay portion after insurance is sent to patient for \$500
  - Patient could pay in full
  - If patient fails to pay responsibility
    - Follow-up by rev cycle team
    - Collections process

## Self-Pay Bill

1. Services rendered
2. Bill sent to patient for \$5,000
3. If not collected by day 31, patient receives 2nd bill
4. If not collected by day 61, patient receives 3rd bill
5. If not collected by day 121, referred to collection agency
6. Collection Agency collects or is unable to collect
7. If unable to collect, CCHHS writes off \$5,000 and removes value from the PAR.



# Gross Accounts Receivable

*Minus*

↳ the total of uncollected gross charges for all accounts at any given time

# Allowance Amount

*Equals*

↳ based contractual terms, Medicaid and Medicare rates and past experience of self-pay collections

# Net Realizable Value

↳ the amount CCHHS realistically expects to collect from insurers and patients







## FY16 Comprehensive Audited Financial Report

**Receivables:  
Patient Accounts –  
net of allowances of  
\$271,531,805 in  
2016 =  
\$84,793,838**

### Cook County Health and Hospitals System of Illinois

#### Statements of Net Position November 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 5):		
Cash in banks	\$ 2,837,518	\$ 1,569,541
Cash held by Cook County Treasurer	255,632,615	341,965,251
Working cash fund	95,147,154	95,147,154
Total cash and cash equivalents	<u>353,617,287</u>	<u>438,681,946</u>
Property taxes receivable - net of allowance of \$8,381,170 in 2016 and \$5,835,492 in 2015:		
Tax levy - current year	121,235,196	149,756,021
Tax levy - prior year	5,239,354	1,483,304
Total property taxes receivable	<u>126,474,550</u>	<u>151,239,325</u>
Receivables:		
Patient accounts - net of allowances of \$271,531,805 in 2016 and \$250,451,807 in 2015	84,793,838	67,233,873
Due from State of Illinois - CountyCare (Note 16)	45,786,270	51,750,784
Capitation receivable (Note 17)	43,442,900	55,771,662
Third-party settlements	2,817,381	3,830,072
Due from other County governmental fund	4,893,585	-
Other receivables	12,346,982	9,106,023
Total receivables	<u>194,080,956</u>	<u>187,692,414</u>
Inventories	4,023,099	4,438,429
Total current assets	<u>678,195,892</u>	<u>782,052,114</u>
Refundable deposit (Note 16)	25,000,000	-
Capital assets, net of accumulated depreciation (Note 6)	397,363,422	394,977,522
Total assets	<u>1,100,559,314</u>	<u>1,177,029,636</u>
Deferred outflows of resources:		
Pension related amounts (Note 10)	659,063,246	93,364,101

Questions?

