



MEDICARE BAD DEBT IS A REVENUE OPPORTUNITY FOR MANY HOSPITALS



Call 1-920-645-6017
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Who Me?

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*People seeking legal advice should
always consult with an attorney.

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Who We Are:

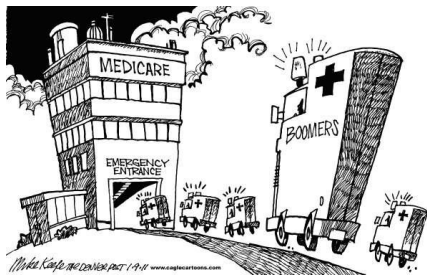


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Baby Boomers

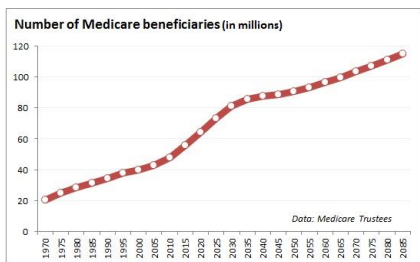


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Baby Boomers

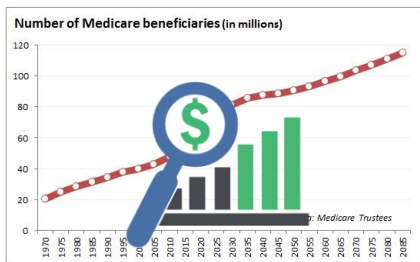


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Medicare Bad Debt Rules

“Costs of Services Covered by Medicare Will Not Be Borne By Individuals Not Covered By Medicare.”



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Medicare Bad Debt Rules

In order to qualify for reimbursement, hospitals must comply with:

- a. certain collection efforts,
- b. certain record keeping,
- c. and certain reporting requirements.

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Criteria for Medicare Bad Debt

Generally, a Medicare bad debt must meet all of the following criteria to be allowable:

- a. The debt must be related to covered services and derived from deductible and coinsurance amounts.
- b. The provider must be able to establish that “**reasonable collection efforts**” were made.
- c. The debt was actually **uncollectible** when claimed as worthless.
- d. **Sound business judgment** established that there was no likelihood of recovery at any time in the future.

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2 Types – Medicare Bad Debts

1. Indigent = NO “Reasonable Collection Efforts”
2. Traditional/Uncollectible = YES “Reasonable Collection Efforts”



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Indigent– Medicare Bad Debts

1. Dual Eligible for Medicaid
2. Financial Assistance Application Method
3. Deceased or Bankrupt

Verify all other eligibility has been checked.
 Maintain this documentation.
 -This dismisses the requirement to do -
 “Reasonable Collection Efforts”



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Indigent– Medicare Bad Debts

Dual Eligible for Medicaid

- Medicare Primary and Medicaid Secondary
- Can be claimed as soon as Medicaid remittance is received
- Usually requires the least amount of audit support
- Medicaid remittance claim status of “paid” not “denied”



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Indigent– Medicare Bad Debts

Financial Assistance Application Method

-Most follow the hospital’s written financial assistance policy (presumptive?)

Hospital’s reason for financial assistance approval must be thoroughly supported:

- a. Assets (convertible to cash)
- b. Liabilities
- c. Income and Expenses

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Indigent– Medicare Bad Debts

Bankruptcy

Documented by “Discharge Debtor” notice from the courts.

Deceased

“No Estate” documentation via the probate court

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Uncollectible/Traditional

Patient has the means to pay, but just doesn’t pay.

Requires the Hospital to complete:
“Reasonable Collection Efforts”

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“Reasonable Collection Effort”

- a. Must issue a bill shortly after discharge or death,
- b. 3 collection letters,
- c. Telephone calls,
- d. And Listing with collection agency

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Collection Agency for Medicare Bad Debt

- a. Refer all uncollected charges of “like amount.”
- b. “Like amount” can be specified a “minimum amount.”

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Documentation Required

Patient’s files need documentation of the following:

- a. Bill(s)
- b. Follow-up letters (Final Notice)
- c. And Telephone Calls

****Some auditors will ask for the collection agencies attempts as well****

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“Presumption of Non-collectability”

- a. 120 days from the date of the first bill, the debt may be deemed uncollectible for the purposes of Medicare Bad Debt.
- b. 120 day clock restarts upon receipt of payments.
- c. 120 days is all encompassing of Hospital, Early Out, and Bad Debt****

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Provider Based Billing

Medicare Bad Debt does not pertain to costs of services the provider might bill on behalf of the provider-based physician or any professional component (Part B).

Payments received by patients should be applied proportionally based upon the amount owed for Part A or Part B.

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Accounting Period

Medicare Bad Debt must be claimed in the period which the debts are determined to be uncollectible.

Cancel and Return Reports from your Collection Agency!

Hint – Americollect creates a separate Medicare client code to make it EASY!

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“Sound Business” Decision

In 2016, a hospital group won a court case when they argued that they made a “Sound Business” decision by placing accounts on the Medicare Bad Debt Logs after the account was canceled for 1st placements but before accounts were placed for 2nd placements.

Other “Sound Business” Decisions?
Minimum Balance???

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Audit Defense #1

Strong - Billing and Collection Policy
1st line of defense against an audit is a **STRONG** billing and collection policy!!!

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Logs!!!

External:

- Beneficiary name
- HIC number
- Discharge date
- Indigence status
- Date of 1st bill to beneficiary or supplemental
- (Last or Qualifying) Medicare remit date

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Logs!!!

External:

- Amount of deductible and co-insurance
- Write-off amount (amount being claimed)
- Write-off date (posting date or close report date)
- Medicaid remit date (if applicable)
- Medicaid (number if applicable) - I/P or OP indicator

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Audit Defense #2

Internal Log- Audit Defense - Excel Document

- Account number - Admit date - Admitting FC - Current FC - Ins1, 2 & 3 plan code & policy number - Total charges per last Medicare remit - Hosp Total charges - Total Medicare payment - Total insurance payment - Total patient payment - Grand total payment - Total Medicare Adjustment Amt - First, last, "qualifying" Medicare remit dates - Total non-Medicare Adjustment Amount - Account balance - File indicator (BD v AR) - Date of 1st statement to patient - Date account transferred to early out agency - Date account returned from early out agency - Date account transferred to collection agency - Date account returned from collection agency - Reason account was returned from agency if < 120 days from placement - Date of 1st bill to supplemental insurer - Date supplemental bill auto crossed over from Medicare to supplemental payer - Date of initial supplemental payment (including zero pays) - "Include on cost report" Y or N indicator - Unpaid co-insurance as of fiscal year-end date - Unpaid deductible as of fiscal year-end date - Medicaid remit date (including zero pays) - Medicaid payment amount - Supplemental Remit date - Deceased w/o (code, amount, date) indicator - Bankruptcy w/o (code, amount, date) indicator - Charity w/o (code, amount, date) indicator - Comments (internal) - Comments for auditor - Amount claimed on PY log - Amount claimed on PY (-1) log - Amount claimed on PY (-2) log...etc - (Current FY w/o amt) - (PY's w/o amt)

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Q&A

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