

Medicare Bad Debts Review

Presented by:

Jeff Wolf – Director of Reimbursement – BESLER



*Smart about revenue.
Tenacious about results.*

CPE Credit Requirements

- In order to be awarded the full credits, you must respond to the 3 Knowledge Check questions asked throughout the session.
- Participants will earn 1.0 CPE credit for each session they attend.
 - (Field of Study: Specialized Knowledge)

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Jeff Wolf

Director of Reimbursement Services



Jeff Wolf is Director of Reimbursement Services at BESLER. Jeff possesses more than 30 years of health care industry specific experience as a regulatory compliance auditor, a hospital CFO, and a consultant to the industry.

Jeff is an Advanced Member of the Healthcare Financial Management Association and a frequent speaker on topical health care subjects including reimbursement planning and strategy, Medicare's APC payment system, and treatment program design and documentation.

Jeff graduated from Arizona State University with a Bachelors degree in Accounting.

Agenda

- Defining Medicare Bad Debts
- Patient Responsibility
- Reasonable Collection Effort
- Documentation Requirements
- S-10 Bad Debts vs. Medicare Bad Debts

Defining Medicare Bad Debts



42 CFR Regulation

In English!

Medicare Bad Debts are officially defined under:

42 CFR 413.89

In Simple Terms: To ensure that no other payor bears the burden of Medicare Patients, any uncollected Medicare Patient Responsibility is eligible for Bad Debt Reimbursement.

Requirements for Bad Debts include:

- 1) Accounting Practice
- 2) Collection Effort
- 3) Documentation
- 4) Limitations

Importance of Medicare Bad Debts

Medicare Bad Debts are reimbursed at \$0.65 on the Dollar by the Medicare Program. For Hospital Components (not including Psych & Rehab), the 2020 Bad Debt Reimbursement was a total of \$2B. This represents an average of \$330,000 of additional reimbursement for every provider per year.

Every Hospital that has a measurable Medicare Population should be tracking these Bad Debts and adding them to their cost report each year.

2552-10 Cost Report Entries for Bad Debts

Acute Hospital

WS E Part A (IP) – Lines 64, 65, 66

WS E Part B (OP) – Lines 34, 35, 36

Psych Unit

WS E-3 Part II – Lines 23, 24, 25

Rehab Unit

WS E-3 Part III – Lines 24, 25, 26

SNF Unit

WS E-3 Part VI – Lines 8, 9, 10

HHA – WS H-4

ESRD – WS I-5

CMHC – WS J-3

RHC – WS M-3

FQHC – WS N-4

42 CFR Regulation

Defining some of the Bad Debts Terms:

- 1) Medicare Patients (Traditional not HMO)
- 2) Patient Responsibility
- 3) Reasonable Collection Effort
- 4) Determined to be Uncollectable
- 5) Written Off the Books
- 6) 65% Reimbursement Rate

Difficulty with Claiming Bad Debts

Medicare Bad Debts in concept and practice are not terribly difficult. There are some rules and action steps that need to be taken.

However, the most critical part of claiming Bad Debts is the Supporting Documentation for the Audit!

Polls & Questions



Patient Responsibility

The background features a large teal triangle on the left. On the right, there are overlapping dark blue and light grey triangles. The dark blue triangle contains several thin, horizontal white lines. The light grey triangle also contains several thin, horizontal white lines.

Patient Responsibility

Expanding the Definitions of Medicare Bad Debts for Patient Responsibility

- 1) Medicare Covered Services
- 2) Deductible and Coinsurance
- 3) Non-Covered Charges
- 4) Medicaid Secondary Insurance

Reasonable Collection Effort

Reasonable Collection Effort

1. Minimum of 120 Days of Collection Effort
 - a. Date of Medicare RA
 - b. Date of Secondary Insurance RA
 - c. Date of Notice of Non-Coverage by that Secondary Insurance
 - d. Date of Last Patient Partial Payment
2. Reasonable Efforts
 - a. 5 Letters
 - b. 3 Phone Calls
3. Exhaust Efforts
4. Collection Practices **Must** be Consistent Between All Payors
5. Special Rules for Medicare/Medicaid Dual Eligible Patients

Special Rules for Dual Eligible Patients

1. State must be Responsible all or a portion of the Patients Deductible or Coinsurance Amount
2. Must Submit bill to State to determine the States obligation to pay
3. Must reduce bad debts by amount State is obligated to pay regardless of whether the State Pays the amount.
4. Many states do not issue a Remittance Advice, then entire Bad Debts is allowable without collection effort.

Polls & Questions



Documentation Requirements



Documentation Requirements

- 1) Account History Showing Collection Effort
- 2) Patient Account Must be Written Down to Zero
 - a. Transaction Codes
 - b. Transfer Account to Bad Debt Listing including a Transaction Code to ID the Account to Zero
 - c. Write-off must hit Contra Revenue account (10/2020)
- 3) Remittance Advice (PSR Detail)
- 4) Consistent Treatment for All Payors
- 5) Bad Debt Listing

Data Elements of your Bad Debts Listing

- | | |
|---------------------------|-------------------------------------|
| 1) Patient Name | 9) Date of Write-off |
| 2) Patient Account # | 10) Medicare RA # |
| 3) Social Security Number | 11) Medicare RA Date |
| 4) Date of Birth | 12) Medicare RA Deductible |
| 5) Admit Date | 13) Medicare RA Co-Insurance |
| 6) Discharge Date | 14) Medicare RA Non-Covered Charges |
| 7) Date of First Billing | 15) Medicaid RA Date |
| 8) Date of Last Payment | 16) Secondary Insurance RA Date |

Data Elements Most Likely Needed in the Future

- 1) Total Charges
- 2) Lifetime Insurance Payments
- 3) Lifetime Patient Payments
- 4) Lifetime Adjustments
- 5) Lifetime Charity Write-Off

Changes Coming Down the Line:

EXHIBIT 2A

LISTING OF MEDICARE BAD DEBTS

PROVIDER NAME: _____				CCN: _____		FYE: _____		PREPARED BY: _____					
BAD DEBTS FOR (CHOOSE ONE): _____ INPATIENT _____ OUTPATIENT								DATE PREPARED: _____					
CLAIM TYPE (CHOOSE ONE): _____ NON-DUALLY ELIGIBLE _____ DUALLY ELIGIBLE/CROSSOVER													
MEDICARE BENEFICIARY						MEDI-CAID NO.	DEEMED INDIGENT	REMITTANCE ADVICE DATE		SECON. PAYER REMIT. ADV. REC'D DATE	BENE-FICIARY RESON-SIBILITY AMT.	DATE FIRST BILL SENT TO BENE.	A/R WRITE OFF DATE
LAST	FIRST	MBI OR HICN	PATIENT ACCT. NO.	FROM	TO			MEDI-CARE	MEDI-CAID				
1	2	3	4	5	6	7	8	9	10	11	12	13	14
TOTAL													

LISTING OF MEDICARE BAD DEBTS (CONT.)

COLLECTION AGENCY INFORMATION		COL-LECT. EFFT. CEASE DATE	MEDI-CARE WRITE OFF DATE	RECOVERIES ONLY		MEDICARE DEDUCTIBLE AND COINSURANCE AMOUNTS*		CURRENT YEAR PAYMENTS RECEIVED		ALLOW-ABLE BAD DEBTS	COMMENTS
SENT (Y/N)	RETURN DATE			AMOUNT RE-CEIVED	MCR FYE DATE	DEDUCT.	COINS.	AMOUNT	SOURCE		
15a	15	16	17	18	19	20	21	22	23	24	25
TOTAL											

* Report deductible and coinsurance amounts only when the provider billed the patient with the expectation of payment. See column 8 instructions for possible exception.

Polls & Questions



How does Medicare Bad Debt
relate to WS S-10 Bad Debts?

How does Medicare Bad Debt relate to WS S-10 Bad Debts?

- 1) Subset of S-10 Bad Debts
- 2) Draft Transmittal 17 – A Look at What CMS is Thinking
- 3) 2021 IPPS Final Regulations, Impact Future Bad Debts

Per Draft Transmittal T-17 (Expected T-18)

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1	2	3	4	5	6	7	8	9	10	11	12	13	14
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Questions?





Easy Work Papers is a software solution that automates the majority of the preparation for hospital cost reports and supporting workpapers.



Cost Report Preparation is an end-to-end service that includes completion and submission of the cost report to a hospital's specific Medicare Administrative Contractor.



Cost Report Reviews can fix common errors allowing hospitals to receive corrected payments without having to wait for final settlement of the Medicare Cost Report.

Email update@besler.com to tell us how we can help your reimbursement team.

Medicare Cost Report Reviews and Preparation

Disproportionate Share Reviews (DSH)

S10 Review and Refiling

Medicare Geographic Classifications

Wage Index Opportunity and Analysis

Medicare Appeals and Regulatory Analysis

Reimbursement Technology

Organ Acquisition



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