STROUDWATER

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National Organization of
State Offices of Rural Health

NATIONAL ASSOCIATION OF
RURAL HEALTH CLINICS

2024 INDEPENDENT RHC INSTITUTE

FINANCIAL POLICIES AND PROCEDURES

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OBJECTIVES

Understanding important policies and procedures for accurate cost reporting and financial management, including:

1. Financial and accounting policies
2. Provider FTE tracking
3. Medicare Bad Debts and supporting documentation
4. Vaccination records

PURPOSE OF FINANCIAL POLICIES AND PROCEDURES

FINANCIAL POLICIES & PROCEDURES

- Financial policies set the overarching rules and principles, while procedures define the step-by-step actions for implementation.
- Financial Policies and Procedures:
  - Establish expectations
  - Promote transparency
  - Support decision making
  - Enhance efficiency
  - Reflect culture

FINANCIAL POLICIES & PROCEDURES

- Comprehensive financial policies and procedures should include these key aspects:
  - Documentation: Accurate documentation is vital for auditing and financial reporting.
  - Authorization: Financial procedures should specify who has the authority to initiate and approve financial transactions.
  - Internal Controls: Internal controls maintain the integrity of financial data.
  - Timelines: Financial procedures should establish clear timelines for various financial activities, such as budget creation, invoice processing, and financial reporting.
  - Compliance: Financial procedures must align with local financial regulations and standards.
  - Reporting: Financial procedures should outline the frequency and content of financial reports.
  - Review and Update: Companies should have procedures in place for reviewing and updating financial procedures regularly. This ensures that the procedures remain relevant and effective in changing business environments.

ACCOUNTING AND FINANCIAL REPORTING

POLICIES AND PROCEDURES: PAYMENT POSTING

- Providers should have formalized policies and procedures for posting payments
- **Key Considerations:**
  - Payments received from patients at point-of-service should be reconciled daily
  - Credit card payment machines should be closed out at end of day and reconciled
  - Payments received by mail should be documented and reconciled to payments posted in system daily
    - The person documenting receipt of mail should not be the same person posting in the system
    - Ideally want someone with no access to payment posting to reconcile
  - Electronic payments should be posted when received and reconciled
  - Daily cash balancing – cash/checks/credit cards should be reconciled to payments posted in system every day
  - Cash reconciliations should be performed monthly
  - Reconcile, reconcile, reconcile

POLICIES AND PROCEDURES: FINANCIAL REPORTING

- Providers should have formalized policies and procedures for financial reporting
- **Key Considerations:**
  - Financial reporting should include balance sheet and operating statement, at minimum
    - Cash flow reports are also beneficial to practice management decision makers
    - Frequency of reporting (i.e. monthly/quarterly) should be defined in policy and should be meaningful to the organization
  - Financial reports should be provided to key stakeholders that may include practice owners, providers, and staff members
  - Provider-level reports, including productivity, patient volumes, chart deficiencies, progress to goals, etc. should be provided at agreed-upon intervals
    - Tracking and reporting on these measures throughout the year will assist cost report preparers when it comes time to gather data for the cost report
  - Report key revenue cycle metrics regularly to identify red flags and opportunities for improvement
    - Examples include:
      - A/R Days
      - A/R Aging
      - Point of Service collection rate
      - Denials rate

POLICIES AND PROCEDURES: RECORD RETENTION

- Providers should have formalized policies and procedures for record retention
- **Key Considerations:**
  - Define the types of documents to keep, how long to keep them, and how to keep them secure
  - Conform to applicable record keeping guidelines set by regulatory bodies
    - 42 CFR Subpart A, Section 491.10(c) requires patient records to be retained for at least 6 years from date of last entry, and longer if required by State statute
    - Other requirements may vary by State
  - Policies should include who can view certain records and how to discard them

ACCOUNTING AND FINANCIAL POLICIES

- Important questions for consideration
  - What are our payment posting policies?
  - What are out internal controls around payment posting vs. handling of payments?
  - What are our financial reporting capabilities?
  - Are staff aware of record retention policies and procedures?

PROVIDER INFORMATION

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- **Medicare Benefit Policy Manual Chapter 13 - Rural Health Clinic (RHC) and Federally Qualified Health Center (FQHC) Services, Section 80.4**
  - "The FTE on the cost report for providers is the **time spent seeing patients** or **scheduled to see patients** and ***does not include administrative time***."
- RHCs should maintain policies and procedures indicating how provider time is tracked

PROVIDER INFORMATION

- **Key Considerations:**
  - Method of determining provider FTEs to use in the productivity threshold calculation
    - Manual
    - Electronic
  - Review of reported FTEs for relevant provider types
    - Exclusions of certain time categories (i.e., administrative, committee, hospital, etc.)
  - Source of information
    - Time studies

PROVIDER INFORMATION

- Important questions for consideration
  - How are we tracking provider time for providers subject to productivity thresholds?
  - Are there better methods we could be using?
  - Is there any verification process for the data?
  - What policies and procedures could be put in place to mitigate risk of errors?

MEDICARE BAD DEBTS

MEDICARE BAD DEBTS

- **42 CFR § 413.89: Bad debts, charity, and courtesy allowances**
- Medicare reimburses **65%** of total allowable Medicare Bad Debts
  - Bad debts:
    - must be related to covered services and derived from deductible and coinsurance amounts
    - can only be claimed after a reasonable collection effort has been established
    - must be actually uncollectible when claimed as worthless
    - can only be claimed when sound business judgment has established that there was no likelihood of recovery at any time in the future

MEDICARE BAD DEBTS: COLLECTION POLICY

- Providers should have formalized bad debt collection policies in place that describes collection efforts
- **Key Considerations:**
  - Collection policy should describe collection efforts that are made (e.g., billings, collection letters, phone calls, etc.)
  - Collection efforts for Medicare patients should be similar to efforts made for non-Medicare patients
  - Must involve an issuance of a bill on, or shortly after, the date of service
  - Use of collection agencies should be documented
  - Collection efforts must be "genuine"
  - If reasonable collection efforts have been made, and the debt remains unpaid more than 120 days from the date the first bill is mailed to the beneficiary, the debt may be deemed uncollectible
  - Collection policies may be evaluated during an audit of claimed Medicare bad debts
  - If there have been changes to your collection policy, this should be submitted to your MAC with your Medicare cost report (see Worksheet S-2, Line 9)

MEDICARE BAD DEBTS: COLLECTION POLICY

- **Key Considerations (cont.):**
  - *Provider Reimbursement Manual, Part I, Chapter 3, Section 312*
  - If patients are determined to be “indigent” or “medically indigent” within a reasonable time before admission, or shortly after discharge, and the provider concludes that there has been no improvement in the patient’s financial position, a bad debt may be considered allowable without applying collection efforts noted previously
    - Patients may be considered indigent *if*:
    - They have been determined eligible for Medicaid as either categorically needy individuals or medically needy individuals (dual-eligible)
    - The provider has determined the patient to be indigent based on a review of patient’s financial position (assets, liabilities, revenues, expenses, and any other relevant information)
      - Must thoroughly document method for determining patient indigence
      - Cannot be determined by the patient

MEDICARE BAD DEBTS: DOCUMENTATION POLICIES

- In addition to a documented collection policy, RHCs should maintain documentation policies to ensure Medicare bad debts claimed on the cost report are appropriately supported
- **Key Documentation:**
  - Collection policy (**not** specific to Medicare patients)
  - Support for the patient responsibility amount (e.g., Medicare remittance advice)
  - Evidence that reasonable collection efforts were made such as copies of patient follow up letters, records of patient follow up calls, notes of other collection efforts made, etc.
    - Providers may utilize a collection agency; however, Medicare expects that providers refer uncollectible patient amounts of like amount to the agency *without regard to class of patient*
    - If you utilize a collection agency, should maintain records of when accounts were sent to the collection agency, and when they were returned
  - Proof that all collection efforts have ceased
  - If claiming bad debt for indigent patient, Medicaid remittance advice or method of determining patient indigence
  - Compliant Medicare bad debt log
  - Evidence of any bad debt recoveries

MEDICARE BAD DEBT POLICIES

- Important questions for consideration
  - Has my collection policy been updated recently?
  - Does my collection policy reflect a genuine effort to collect on bad debts?
  - Does my collection policy accurately reflect what happens during the collections process?
  - Does my organization utilize a collection agency?
  - If my organization does utilize a collection agency, who is tracking the status of the accounts sent to collections?
  - Does my organization have documentation policies and procedures in place so that bad debts can be substantiated?
  - Who prepares our bad debt log, and where are they pulling the data to prepare it?
  - Are we learning from prior Medicare audits?

VACCINES/VACCINE ADMINISTRATION

VACCINES/VACCINE ADMINISTRATION

- **42 CFR § 405.2466: Annual Reconciliation**
- **Medicare Benefit Policy Manual, Chapter 13, Section 50.1**
  - RHCs are reimbursed at 100% of allowable cost for Medicare influenza, pneumococcal, and COVID-19 vaccines
  - Vaccine and medical supplies costs are reported in distinct cost centers on Worksheet A of the Medicare cost report
    - Costs are also reported on Worksheet B-1 where Medicare reimbursement for vaccines and vaccine administration is calculated

VACCINES/VACCINE ADMINISTRATION

- **Key Considerations:**
  - Maintain a log of vaccines as well as documentation substantiating vaccine cost (e.g., invoices)
    - Name, Medicare Number, Date of Service
    - Prepare and submit with the Medicare cost report
  - Ensure vaccine and supplies expense is recorded to the appropriate line item in the general ledger / financial statements and appropriately categorized on the cost report
    - Cost report has cost centers specific to each vaccine type
  - Time tracking for vaccine administration

VACCINES/VACCINE ADMINISTRATION

- Important questions for consideration
  - How are we recording our costs for vaccines?
  - Do we have optimal record keeping procedures to aide in cost report preparation?
  - Do we maintain a vaccine log with necessary information?
  - Do we understand how we are calculating our vaccine administration time?

EDUCATION

CLINIC STAFF EDUCATION

- Once policies and procedures are developed, it is important to communicate them with applicable staff
  - Policies and procedures should be:
    - Documented
    - Accessible
    - Clear
    - Relevant

CLINIC STAFF EDUCATION

- Important questions for consideration
  - Does my clinic have documented policies and procedures?
  - Are these documented policies and procedures easily accessible?
  - Are communications of policies and procedures included in relevant staff onboarding?
  - How are updates communicated?
  - Are staff aware of documented policies and procedures?

CONCLUSIONS

IMPORTANT TAKEAWAYS

- Formalized policies and procedures are key to accurate and consistent reporting
- Policies and procedures should be consistently evaluated
- A strong set of policies and procedures can help mitigate risk of lost reimbursement
- Education on policies and procedures is crucial

Q&A

UPCOMING SESSIONS

3

Office Hours

7/22/24

Join the Stroudwater Associates team for our designated office hours to ask specific questions related to your RHC.

4

Revenue Cycle Management and Measurement

7/24/24

This session will focus on best practice strategies for effective revenue cycle processes.

5

Mastering Revenue Cycle Key Performance Indicators

7/29/24

Improving financial performance and operational efficiency by better understanding key Revenue Cycle Key Performance Indicators (KPIs.)

6

Office Hours

7/31/24

Join the Stroudwater Associates team for our designated office hours to ask specific questions related to your RHC.

COMMITTED TO INCREASING THE IMPACT OF RURAL AND COMMUNITY HEALTHCARE.

Our team of rural and community healthcare experts support the leadership of hospitals, health systems with a rural footprint, and the groups and clinics that form an essential care network across the 97% of the US that is defined as rural.

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THANK YOU

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