

POLICY MANUAL

Subject: Contract and other Adjustments to Revenue

Effective Date: 1/1/07

Initiated By: Jay Crosson
Director of Patient Accounting

Approved By: Tim Tull
Chief Financial Officer

Review Dates: 03/10 JSC, 04/12 JSC, 03/13 JSC, 02/14 JSC

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4/15 EMc

POLICY:

Cumberland Heights makes adjustments or reductions to revenue in accordance with our contractual obligations with third party payers and self pay clients who are compliant with the separate credit policy. Contract agreements are negotiated discount rates off of our published charges that usually reflect a per diem rate that the facility and the payer have previously agreed upon. Adjustments to revenue are made as soon as possible after patients have discharged to reflect a more accurate picture of accounts receivable.

PROCEDURE:

1. At discharge, financial advisors are charged with calculating and initiating contract adjustment based on the contract rate sheet and the charge that was received. Those adjustment forms are forwarded to data entry to be keyed. Once keyed, the Director of Patient Accounting reviews the batches on a weekly basis for accuracy and signs off on them.
2. Contract adjustments are reviewed by the insurance collectors once an explanation of benefits has been received for accuracy and any corrections are made at that time. Those adjustment forms are forwarded to data entry to be keyed. Once keyed, the Director of Patient Accounting reviews the batches on a weekly basis for accuracy and signs off on them.
3. Self pay adjustments are agreed upon discounts, set by the Leadership Team, and offered to clients when insurance is no longer paying for all or a portion of the stay. These discounts are given to entice compliance with the credit policy. An additional 5% discount may be given by any accounts receivable staff member to get payment in full.
4. Insurance collectors are authorized to extend up to a 10% discount for insurance payers with no network affiliation in exchange for a quick claims resolution ---usually payment in 10 business days.
5. Occasionally the CFO, or their designee, will negotiate a one time or "ad hoc" contract for a patient account when no permanent contract exists between a payer and the facility.
6. Negotiated per diem rates usually do not follow any set percentage discount off published rates. Each contract is negotiated in order to maximize reimbursement, but is constrained by historical rates, inflation indexes, volume of referrals and other market factors. When published rates rise there is anticipation that contractual adjustments will increase and gradually reduce as new contract increases are renegotiated.

7. Every effort is made to record all outstanding adjustments to revenue before each month end and especially at year end. Significant out of time period adjustments are corrected by means of journal entries.

8. An adjustment to in-house revenue is made at the end of each month to approximate the anticipated contractual discount and reflect a truer in-house revenue figure. Although contractual adjustments are not based on a percentage of charges, they have historically ranged between 20 and 30% of published rates. Beginning October 2011, a 25% in-house discount will be recorded. The source document will be the last daily status report (YSO10) of the month. In May of 2012 the percentage used was taken from the quarterly board report and will change each quarter going forward. For example, in Q2 of 2012 the quarterly board calculation of adjustments to revenue was 33.1% so that number was used for this calculation in the months of July, August, and September.