

Accounts Receivable Tool Kit

(Excerpts from “Realizing Your Viability – The Tenets of A Successful Organization”)

- Components of an Effective Month-End Close Process
- Procedure for Processing and Posting Cash Receipts
- Procedure for Processing, Tracking and Reporting Claim Denials
- Procedure to Identify, Monitor and consistently Perform Write-Offs
- Process to Balance Patient Accounts Receivable to the General Ledger
- Process to Balance Patient Cash Receipts to the General Ledger
- Calculation of Days in Account Receivable
- Example of Days in Accounts Receivable by Funding Stream

An Effective Month-End Close Process

Centralized Billing Office responsibility:

Private Pay Review

- Run final Service Ticket Control Log through the month end date.
- All Service Tickets must be accounted for before Month End procedures can continue.
- Run Audit Report for all services that were recorded in Self Pay for the month by client.
- Review each client to determine if these services, in fact, should be recorded to Self Pay. If not, make eligibility information changes and include in recalculation of fees process.

Recalculation Process

- Run audit report to check all other payers.
- Review for reasonableness number of services, dollar amounts, etc.
- Review any New Admissions to Ensure Accurate Eligibility information.
- Make any Eligibility information changes needed.
- Recalculate Fees.
- Run other audit reports to validate required data elements for billing, i.e. Diagnosis.

Balancing Cash

- To balance cash, Centralized Billing will make use of daily cash logs; the general ledger functions of your accounting software, journal entry information from accounting, and other accounts receivable reports/tools you have available. (**See Balancing Cash Instructions**)
- Daily Deposits can be tracked by a spreadsheet for Patient related deposits with a running monthly total to be use for balancing each day's cash as it is posted to client accounts. This total will be compared to the total of the general ledger cash account(s) in the Cash Receipts Journal.
- If these totals do not agree, then proceed to the detail of the general ledger cash account. Compare this detail to the detail of the journal entries and amounts noted on the daily cash logs.

Balancing Accounts Receivable (See Balancing Checklist):

- Centralized Billing will review a preliminary Summary Aged Receivable report.
- This review is to determine if any payers are appearing on the report with incorrect fees for the month and if there are any notable outliers that should be researched further before month-end close.

- Centralized Billing will perform any adjustments deemed necessary with the approval of the supervisor based on this preliminary review.
- Once cash receipts are balanced to the general ledger and the preliminary review of the Aged Receivable report is complete, Centralized Billing will perform any additional recalculation of fees that is necessary.
- Then the Aged Patient Accounts Receivable will be balanced to cash receipts on the General Ledger.
- If your Patient Account Receivable software has the ability, run an audit report to determine if any patient accounts are out of balance.
- Prepare a “Cash Collections Report” by payer and provide to the Supervisor for review and feedback.
- Prepare an “A/R Balance & General Ledger Allowance for Non-Collectable Report” and provide to the Supervisor for review and feedback.
- Prepare a “Write Offs/Adjustments to Accounts Receivable Report” and provide to the Supervisor for review and feedback.
- Prepare the “Days in Receivable by Payer” to the Supervisor for review and feedback. **(See Attached)**
- The Centralized Billing will perform all the above functions by the fifth working day of the month following close.

Receipt of Cash Logs

Centralized Billing responsibility:

- Centralized Billing will receive a copy of all cash logs and enter them into spreadsheet for daily and monthly tracking.
- Centralized Billing will document on spreadsheet when each individual day's cash is posted to client accounting.
- The cash spreadsheet will be sent to the Supervisor on a daily basis to keep them informed of the status of cash being posted. The cash spreadsheet will be sent to the Comptroller (or Finance Officer) on a weekly basis for cash management purposes.
- At month end after all client cash has been posted and balanced a copy of the spreadsheet with monthly totals will be forwarded to Finance Officer and Comptroller.

Processing Cash Receipts

Centralized Billing responsibility:

- After receiving all cash logs, Centralized Billing will post all Clients accounting cash. Cash receipts will be divided into two categories: Patient Receipts and Miscellaneous Receipts.
- Patient cash receipts are those cash receipts from clients or third party payers intended to reduce the balance of Patient Accounts Receivable. These will be entered through the cash application process of your Patient accounting software.
- Every batch of cash posted will be balanced to that days cash receipt log. The payer and amount of the amount posted will be included on the log.
- Miscellaneous cash receipts are those cash receipts that do not affect the Aged Receivable. These receipts will be entered through the journal entry function of your General Ledger software package.
- The journal entry number and amount will be noted on the cash log for which it is created.
- Once all data entry for a cash deposit dates is complete, this total will be compared to the spreadsheet for that day to ensure that all cash logged is entered in the computer.
- Centralized Billing and the Comptroller will determine all deadlines for the functions listed above jointly.

Processing & Tracking Denials

Centralized Billing responsibility:

- Denials will be processed as received. All denials received for a given month should be processed within the same time frame that cash is to be posted.
- Research should be done to determine if the claim can be corrected and resubmitted or if the fee should be written off.
- If the claim can be corrected and resubmitted, it should be done immediately.
- Centralized Billing will work with the various offices, program directors and providers during this research and correction.
- If the service must be written off, denial codes should be used. Centralized Billing and the Comptroller will determine denial codes jointly.
- Centralized Billing will provide a Denial Report monthly. The report will detail the number of services written off for specific reasons and the dollars associated with these write offs. This can be tracked in a spreadsheet to show monthly comparisons and YTD totals.

Centralized Billing Supervisor responsibility:

- The Supervisor will ensure all denials are submitted to Centralized Billing in a timely manner.
- The Supervisor will be able to use the Denial Report to monitor staff credentialing problems, authorization problems, data entry problems, etc.
- The Supervisor will report problem areas to management and provide any possible corrections to services using the Denial Report as a resource so Centralized Billing can resubmit charges for reimbursement.
- The Supervisor will offer feedback as to any services that may be written off in error that can be resubmitted for reimbursement.

Process for Accounts Receivable Write-Offs

Centralized Billing Supervisor Responsibility:

- On a weekly basis accounts will be identified needing dollar amounts written off the Accounts Receivable by the Centralized Billing Supervisor.
- As these accounts are identified they will be added to a Saved List.
- Weekly an Aged Accounts Receivable Report will be processed using the Saved List created and printed.
- Documentation will be provided on the Aged Receivable Report identifying the reason for the write-off.
- Once all documentation is noted on the Aged Receivable Report, the report will be forwarded to Controller (CFO can determine if other than Controller) for review and approval. No write-offs, other than normal contractual adjustments, will be written off without approval by the Controller.
- Controller (CFO can determine if other than Controller) will approve each account individually and his or her signature is required on the Aged Receivable Report beside the clients' name before the account is written down.
- When the review is complete and approval documented the report will be given back to Accounts Receivable staff to perform the actual write-off of the clients account on the Client account system.
- After completing the write-off, the dollar amount and reason for the write-off must be notated in a tracking system (ideally in a database). This is consistent with all other efforts to manage the Accounts Receivable and provides documentation in one place.
- A file is to be maintained for each calendar year providing documentation of all write-offs for the annual audit.

A/R BALANCING OUTLINE

1. Recalculate Fee's to ensure accuracy of Revenue and A/R by Payer.
2. Run any processes required for special fee calculation and billing. (I.e. bundling of total charges per day)
3. Run Preliminary Aged Receivable to see if there are any Payers being used incorrectly (check totals only).
4. After all clean up of A/R is complete, all cash for that month is entered and balanced, and all Service Tickets are entered; Reports can be run to create journals for recording Revenue and Cash Received.
5. Post all activity to the General Ledger.
6. Run General Ledger balances from the G/L software and compare to Patient Accounting activities for the month.
7. Research any discrepancies and make correcting journal entries and repost.
8. If available, run report from your client accounting software that checks if the client accounts balance reflecting all activity correctly.
9. Run a final Aged Receivable and a final General Ledger Listing and compare to balance.

CASH BALANCING PROCEDURE

- Make sure all daily cash logs are posted for the time period for which you wish to balance.
- Post all Cash Journal Entries for the time period you are balancing.
- Check the totals of your spreadsheet against the total amount posted in the Cash Account by displaying the Account Balance in your General Ledger software package. The total for the month you are balancing should equal the total on your spreadsheet.
- If your totals do not match you will need to individually check off each Daily Cash Log amount to the General Ledger Cash Account. Run a General Ledger Trial Balance Report for the detail of the Cash Account to compare to and find the error in posting.
- Check off each Journal Entry on the G/L Report to make sure it is posted to the correct cash account and for the correct dollar amount. Depending upon the error a General Ledger Journal Entry or Cash Journal Entry may have to be made to correct the problem.
- After all accounts are balanced to the spreadsheet make copies of the Account Balance/Trial Balance Report for each cash account and attach the spreadsheet for that account number to that page to keep for closing documentation.

Calculation of Days in Account Receivable

- Total Patient Aged Accounts Receivable Divided by the 0 – 30 Day Column Divided by .0365

Example: $3,000,000$ divided by $640,000 = 4.68$
 4.68 divided by $.0365 = 128.21$

□ 3 Month Net Revenue	3,203,019
# Days Last Three Months	92
Factor	34,815
Net A/R per General Ledger	2,597,888
Net Days in A/R	74.61