



UT System Administration Policy Library – Policy UTS154 General Policies for Accounts Receivable Management of Faculty Practice Plans

Responsible Officer: Executive Vice Chancellor for Health Affairs
Sponsoring Office: Office of Executive Chancellor for Health Affairs
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POLICY STATEMENT

This policy is applicable to the health-related institutions of The University of Texas System having faculty practice plans for patient care activities. Such existing plans are presently designated as a Medical Service Research and Development Plan (MSRDP), a Dental Service Research and Development Plan (DSRDP), a Physicians Referral Service (PRS), or an Allied Health Services Research and Development Plan (AHSRDP). For the purpose of this policy, the above plans are referred to collectively as the Plan.

RATIONALE

Unless a patient has been rated as a medically or financially indigent patient, as defined in Exhibit A, or unless granted a discount consistent with the institution's policy, the patient, or other responsible party under applicable contracts, laws, or regulations, is fully expected to pay the entire bill in a timely manner. There should be a clear distinction between indigent care, discounts and uncollectible accounts.

Given this distinction, it is the policy of The University of Texas System that the collection procedures of the Plans shall be equivalent to those generally employed in the health care industry.

SCOPE

All Health Institutions in the UT System

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts154.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

None

CONTACTS

If you have any questions about UT System Administration Policy UTS 154 General Policies for Accounts Receivable Management of Faculty Practice Plans, contact the following offices

Subject	Office Name	Telephone Number	Email/URL
	Office of Health Affairs	512-499-4224	http://www.utsystem.edu/hea/

DEFINITIONS

None

RESPONSIBILITIES

Business Office of the Plan

- Coordinates all billing and collection for professional patient care.
- Prepares a document which describes the processing and handling of charges.
- Financial evaluations of patients.
- Establishes a payer identification for patients which will permit reporting on a standardized basis to both the campus administration and System Administration.
- Coordinates the establishment of cash deposit guidelines dependent upon each individual specialty and/or specialized procedure to be performed.
- Prepares quarterly financial reports and sends to its Administration.
- Establishes policies for the management of the outstanding accounts receivable.
- Develops a listing of billing and collection information that measures the effectiveness and efficiency of its operations.
- Prepares a written description as to how the various types of contractual adjustments and bad debts shall be handled and the signature authorizations for accounts written off.
- Establishes a procedural description for the handling of credit balances that complies with applicable laws and regulations.

- Authorizes referring accounts to collection agencies and write-off accounts without attending physician approval.
- Establishes procedures to assure that quality review of medical status precedes referral of accounts to OGC.

Compliance Officer

- Review document which describes the processing and handling of charges at the individual campus insure compliance with existing rules, regulations and laws.

Plan Board

- Establish a billing compliance program that complies with applicable laws, regulations and institutional policies.

Non-Physician Staff Connected With Coding, Billing, and Collection

- Accountable to the Business Office of the Plan for coding, billing and collection.

Executive Vice Chancellor for Health Affairs

- Approves deviation from policy.

Each Health Related UT Institution (with faculty practice plans.)

- Develops standard financial deposit guidelines for handling advance deposits for physicians' services for patients who are receiving services on an elective basis.
- Refers accounts to the Office of General Counsel (OGC) in compliance with the Guidelines promulgated by OGC.

Office of General Counsel

- Reviews renewals and new contracts for the business services of collection agencies.

Office of the Attorney General.

- Reviews renewals and new contracts for the business services of collection agencies.

PROCEDURES

- A. All billing and collection of the Plan for professional patient care activity shall be coordinated through the Business Office of the Plan. This shall include the processing

of charges for technical fees related to the patient care.

The Institution may contract with an entity to conduct the business operations of the Plan, including but not limited to, strategic development marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibility of the appropriate officers of the institution or committees of the Plan's Board of Directors.

- B.** The director of the Plan's Business Office shall be responsible for preparing a document which describes the processing and handling of charges at the individual campus.

This document shall be reviewed by the the Compliance Officer to insure compliance with existing rules, regulations and laws governing the handling of professional fee activity within The University of Texas System health institutions.

- C.** It is the responsibility of each Plan Board to establish a billing compliance program to insure that all professional fee services rendered and billed comply with applicable laws, regulations and institutional policies.
- D.** All non-physician staff connected with coding, billing, and collection activities of the Plan shall be accountable to the Business Office of the Plan.

Any deviation from this policy requires the approval of the Executive Vice Chancellor for Health Affairs.

- E.** Financial evaluation of patients shall be done through a centrally controlled and administered financial screening section of the Plan's Business Office or University owned or affiliated hospital or clinic. See Exhibit A for policies and procedures for reporting unsponsored charity care and definitions of financial and medical indigence.

The director of the Business Office shall establish a payer identification for patients which will permit reporting on a standardized basis to both the campus administration and System Administration. Payer classifications shall include those patients whose source of payment is by Medicare (fee-for-service and capitation), Medicaid (fee-for-service and capitation), non-contracted commercial insurance (fee-for service), managed care (fee-for-service and capitation), patient pay, and other.

It is vital to determine the above identification as early as possible through the registration process in order to properly categorize both the charges and payments which are being received and applied to the patient's account. In addition, the identifications should identify the special billing indicators, which may be applicable to the particular patient.

- F. Each individual institution shall develop standard financial deposit guidelines for handling advance deposits for physicians' services for patients who are receiving services on an elective basis.

It shall be the responsibility of the director of the Plan's Business Office to coordinate the establishment of such cash deposit guidelines dependent upon each individual specialty and/or specialized procedure to be performed.

- G. Each Plan shall prepare the quarterly financial reports and send to its Administration and through that Administration to the System Administration in the format developed and approved by the Office of the Controller and the Office of Health Affairs at UT System.
- H. The Business Office of the Plan shall establish policies for the management of the outstanding accounts receivable consistent with the following guidelines.

Efficiency and Effectiveness Ratios for Billing and Collection Operations

The Business Office of the Plan shall develop a listing of billing and collection information that measures the effectiveness and efficiency of its operations. This information shall be presented at the meetings of the Budget and Finance Committee of the Plan Board. This information should include, but is not limited to the following ratios:

- a. **Billing and Collection Cost to Net Charges** – calculated as a percentage of billing collection costs to net charges on a monthly and fiscal year-to-date basis. Billing and collection cost shall be defined as costs of charge capture coding and input, back office operations (includes insurance authorization personnel and financial counselors for outpatient activity), collection agency fees, and information systems. Net charges shall be defined as gross charges less contractual allowances, indigent care charges, other unreimbursed charges, and bad debt.
- b. **Days in Accounts Receivable** – calculated on a rolling three to twelve (12) month average, as of the posting date of the charge, and categorized according to Medicare, Medicaid, Commercial, Managed Care, Other, and Total. This ratio should be calculated using the following formula:

$$\frac{\text{Ending Accounts Receivable balance}}{\text{Most recent 12 Months Gross Charges}/\# \text{ of calendar days in the rolling month average}}$$

- c. **Timely Submission of Charges** – calculated from the date service is provided to input of the charge into the billing system, by department and total, and averaged per month by inpatient and outpatient.

- d. Percentage of Collections** – calculated on a monthly and fiscal year-to-date basis as a ratio of Medicare, Medicaid, Commercial, Managed Care, private pay, and other to total collections.
- e. Missed Deadline Account Write-offs** – defined as the amount of total accounts written off due to missing deadlines for billing. Calculated on a monthly and fiscal year-to-date basis, by department and total.
- f. Operating and Total Margins** – calculated on a monthly and fiscal year-to-date basis.

Contractual Adjustments and Bad Debts

The director of the Plan’s Business Office shall prepare a written description as to how the various types of contractual adjustments and bad debts shall be handled and the signature authorizations for accounts written off.

Charges that can neither be reimbursed nor charged to a patient should be written off at the earliest possible time. Indigent adjustments should be made at the time status is determined.

Credit Balance Management

The director of the Plan’s Business Office shall be responsible for establishing a procedural description for the handling of credit balances that complies with applicable laws and regulations.

Use of Collection Agencies

Renewals and new contracts for the business services of collection agencies shall be approved through standard UT System Procedures, including review by the Office of General Counsel and the Office of the Attorney General. The standard Office of General Counsel contract for collection agency services shall be used to the extent practicable.

After the institution's standard series of collection procedures has been exhausted, debts should either be transferred to a collection agency or transferred to bad debt within 150 days of the initial billing to the patient, except under extraordinary circumstances and with the approval of the Plan’s Business Office director.

Shorter periods of time may and should be adopted for small balances and for other situations as appropriate. Authority to refer accounts to collection agencies and write-off accounts without attending physician approval may be delegated to the director of the Plan's Business Office.

Use of the Office of General Counsel

Referral of any account to the Office of General Counsel ("OGC") should comply with the Guidelines promulgated by OGC. The director of the Plan's Business Office shall establish procedures to assure that quality review of medical status precedes referral of accounts to OGC.

- a. Delinquent patient accounts in excess of \$10,000, which are not of the type described in sections b. – d. below, shall be referred to OGC upon the exhaustion of standard in-house and external collection efforts, no later than 90 days after such efforts have been exhausted. Smaller account balances should also be referred where ability to pay seems probable.
- b. Hospital lien accounts shall be referred to OGC once an attorney contacts the Institution. The Business Office of the Plan shall be responsible for coordinating with the affiliated hospital for any appropriate liens, which are to be taken on patients receiving services from the practice plan. The handling of accident claims by the Business Office of the Plan shall be thoroughly documented to insure proper follow through and coordination with the affiliated hospital in any of its lien procedures.
- c. Estate and bankruptcy accounts may be handled by in-house counsel or referred to OGC. The Plan's Business Office processing of and follow-up mechanisms for such claims shall be clearly documented and reviewed by OGC if in-house counsel will be handling these claims.

The executive director of the Plan shall be responsible for reviewing the performance of third-party payment sources relative to existing state law and the terms of applicable managed care contracts. At such time as these payment sources are determined to be consistently performing outside mandated parameters, the executive director of the Plan shall be required to review potential legal relief with OGC.

FORMS AND TOOLS/ONLINE PROCESSES

[Exhibit A](#) THE UNIVERSITY OF TEXAS SYSTEM REPORTING OF UNREIMBURSED MEDICAL CARE

APPENDIX

None

Keywords: accounts receivable, collections, billing, medical practice plans, practice plan, faculty, financial, medical billing
