

AGENCY REPORTS AND CONSIDERATIONS FOR HEALTH DIRECTORS

Please contact your regional Administrative Consultant for further assistance or consultation

1. Aged Accounts Receivable Report

Accounts Receivable is money that is owed to your agency. These revenues are anticipated and considered when planning the annual budget. Aging Accounts Receivable can be an indication of the agency's billing efficiency. Accounts Receivable is most useful when it is a true picture of debt that is owed to the agency and does not include "dead" accounts which should be written off.

A good Aged Accounts Receivable Report will be broken out by payor. It will clearly show accounts which are more than one year old. This report should be reviewed by Billing Staff monthly. This report should be reviewed by the Health Director at least quarterly, preferably monthly.

Items to consider:

- A. Are there **Medicaid** receivables that are more than one-year old? Medicaid claims must be filed within one year of the date of service. If there are Medicaid receivables that are over one year old, have they been billed and denied? Is someone following up on the denials? Denied claims must be rebilled within eighteen months from the denial date.
- B. Are there **Insurance** receivables that are more than 120 days old? Most insurance companies require filing claims within 90 days. Someone in the agency should be following denied insurance claims. If the amount was applied to the patient's deductible or is not covered by insurance, then it can be transferred to the patient. Any amount that becomes the patient's responsibility must be applied to the program sliding fee scale.
- C. Are most of the outstanding **Self-Pay** accounts less than one year old? Statistics show that the older these debts become, the less the likelihood of payment. What is the aging time frame written in your agency's Bad Debt Write-off policy? Most agencies define uncollectible debt as accounts with no activity within the last 12 months. In that case, there should be very few accounts which are more than one year old (since accounts which have been written off should be removed from Accounts Receivable). Patients should be notified consistently of their outstanding accounts. If they are not receiving bills, they probably are not sending payments.
- D. There should never be **NC Debt Setoff** receivables that are less than 60 days old. Debts less than 60 days old are not eligible for submission to NC Debt Setoff. Debts which have been submitted may be many years old, as they can remain with NC Debt Setoff until they are paid (either the patient receives a state income tax refund or wins the lottery). Debts submitted to Debt Setoff do not need to expire, unless local government officials/attorney choose to implement a time limit statute. This amount can be considered when preparing the budget; however, it may take many years to receive the full payment. Most people file their income tax returns at the beginning of the year. Agencies are required to give the patient a 30-day notice before submitting the debt. Therefore, notification letters should be mailed no later than November 30. This will allow sufficient time for the debt to be in place on January 1. Ideally, debts should be submitted to NC Debt Setoff at least monthly. Many agencies only submit in November. Either way, participating in NC Debt Setoff has been proven to be a lucrative source of revenue for Health Departments and other municipal agencies. The Health Department is not charged to participate, as the fee for collection is assessed to the debtor.
- E. The Accounts Receivable report may show the amount of **Sliding Fee Scale** adjustment. If so, this figure should NOT be considered as revenue. This is the amount that was adjusted off the patient's charge based on the family size and income. This figure does, however, show how much money was saved by the patient by using the Health Department for services. This might be an interesting talking point when demonstrating your agency's contribution to the community.

2. Profit/Loss Report

A good Profit/Loss Report will be broken out by program. A basic report will show the total revenue minus the total expenditures. The bottom line will be either a positive amount (profit) or a negative amount (loss).

If unprofitable programs are identified, then running measurement reports can help identify areas of improvement.

Items to consider:

- A. It is important to know whether your agency as a whole operates at a profit or at a loss. Many counties are becoming reluctant to continue to support Health Departments that are not demonstrating reasonable efforts to be cost-effective.
- B. Which programs are losing money? Are these programs required or optional? If they are not required, is there a true need for these programs in your county?
- C. Which programs are making money? Can these programs be expanded?

3. Revenue Tracking Reports

These reports should be reviewed by the Finance Officer monthly. If your agency's fiscal year ends June 30, you should review these reports September 30, December 31, and then monthly until the end of the fiscal year. The report should show each revenue line individually. The report should show the current percentage of revenue collected as compared to the amount of revenue budgeted for the year.

There are two possibilities for explaining why revenue lines would be lower than projected. The first explanation is that the budget estimates were too high. Revenue lines are generally budgeted based on last year's actual receipts. The second explanation is that the agency is not bringing in revenues like it should. This may be a reflection of your agency's billing practices. Or there may have been a change in the community that affects revenue (for example – a new provider now accepts Medicaid patients).

If actual revenue collections fall short of projections, spending may need to be adjusted accordingly.

Per the Consolidated Agreement, any revenue generated that is not spent during the current fiscal year should be carried forward for use in subsequent fiscal years.

4. Expenditure Tracking Reports

These reports should be reviewed in conjunction with the Revenue Tracking Reports. The Finance Officer should be reviewing these reports monthly.

The reports should be broken out individually by expenditure line. The report should show the current percentage of money spent as compared to the amount that was budgeted for the year.

Some counties allow the Health Department to move money between expenditure lines, particularly if both lines are in the same program budget. More important is ensuring that there is enough money left in the line to last until the end of the fiscal year.

The Revenue Tracking reports should be compared to the Expenditure tracking reports to ensure that enough revenue is generated to cover all expenses.

Items to consider:

- A. Are all expenditures charged to the program that generated the expense? Expenses should never be charged to another program based on which program has money available on the expenditure line.
- B. Are expenditures charged to programs equitably? One or two programs should not be responsible for paying the electric bill for the entire agency. This might be one reason that some programs are showing a loss while other programs are showing a profit.

5. Visit Count Report

This report should be reviewed at least quarterly.

The report should be broken out by program. It should show the number of visits as well as a count of unduplicated patients.

Items to consider:

- A. This report may be useful as a staffing guide.
- B. This report may shed light on why some programs are losing money while others are not.

6. No Show Rate Report

This report should be reviewed at least quarterly.

The report should be broken out by clinic. It should show the percentage of appointments that were "No Shows". The percentage of No Shows should be as low as possible.

"No Shows" are appointments that were made by patients who did not keep the appointment. These are extremely costly to Health Departments. Staff were still paid, even though they were not seeing patients. In addition, no revenue was generated during that appointment time.

One of the easiest ways for Health Departments to improve their efficiency is to get the No Show rate under control. Practice Management may be a good resource if your agency is having an issue with a high No Show rate.