Accounts Receivable – Commercial & MHS Methodologies

Presented By
Mr. Don Borchert & Chris Eaton

28 August 2018 0800-0900 EDT
30 August 2018 1400-1500 EDT

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• Commercial Accounts Receivable
  – Follow-up
    • Overview and Management
    • The Basics
    • Workflow
    • Ideal Activity
    • Best Practices
  – Common Issues and Opportunities
• MHS Accounts Receivable
  – DoD Resources
  – Service Financial Statements
  – MHS Financial Statements Policy
  – UBO Cost Recovery Programs
  – Intragovernmental Financials
  – Non-Federal Receivables from the Public
  – Services and NCR MD Workflow Models
Initial claim follow-up begins once a claim is billed and received by the payer. Once a claim is billed, effective follow-up seeks to bring accounts to full resolution.

Resolution is defined as bringing an account to a $0 balance through:

- Cash collections
- Administrative/contractual adjustment
- Referral to bad debt placement

Many providers use both in house collectors and outside collection agencies.

Methods of assigning accounts for follow-up include:

- Aged Account (i.e. over 90 days or based on payer’s timely filing period)
- High dollar amount
- Payer source (i.e. Medicare, Medicaid, HMO)
- Alpha split
Insurance follow-up is performed based on the status of the claim. Initial status updates should occur to ensure that the claim has been received and in-process for payment by the payer. Commercial practices often use auto claim status updates since many providers are able to automatically generate and submit HIPAA 276 queries and receive 277 responses from the payer. Additional methods a provider may use to identify claims status include:

- Payer on-line websites for claims information (i.e. Blue Cross/Blue Shield, Aetna, United Healthcare)
- Medicare claim status via Florida Shared System – Claims inquiries
- Submitting a written inquiry letter (i.e. certified mail, internet)
- Contacting the payer’s claims department (i.e. phone calls)

Traditional methods of follow-up include prioritizing accounts by aged, dollar value and specific payer contract terms. Suggested methods used to increase the speed of cash collections include:

- Determine the timely filing guidelines based on the specific payer’s contract terms to ensure aged accounts are followed up timely
- Work high dollar accounts to accelerate cash
- Government payers, such as Medicare, generally adjudicate clean claims in less than 30 days
Effective follow-up is dependent on documenting all pertinent activity, including:

**Five Steps to Successful Follow-up and Collections:**

1. Know the account and amount you are collecting
2. Read historical account comments and activities
3. Be confident; control the conversation
4. Be respectful, but don’t be satisfied with no resolution
5. Document all your efforts
Recommended follow-up: Workflow

Verify the patient name, financial class, and account balance

Determine if the original billed insurance has paid

If the primary insurance has paid, determine if secondary was billed

If original insurance has not paid, review notes to determine if there was any follow-up

Make follow-up call to insurance company, or send 276/277 Claim Status inquiry

Set a tickler date to check account for insurance payment

Verify the payment is correct per agreed upon contract terms

Post contractual allowance if necessary

If the remaining balance is self-pay, change the financial class to self-pay and follow-up with the patient
Follow-up: Ideal Activity

- **Day 1**: Patient discharged from provider.
- **3**: Charges posted & coding completed.
- **5 (0)**: Bill scrubbed and sent to payer.
- **20 (15)**: Initial follow-up for Medicare claims (review of RTP file).
- **35 (30)**: Initial follow-up for Commercial & Medicaid claims (payer portals, phone calls).
- **50 (45)**: Second follow-up for Medicare, Commercial, & Medicaid claims.
- **65 (60)**: Follow-up activity continues for all payers and is driven by workflow systems that allow for reminder notifications.

Follow-up: Ideal Activity

- **This is Day 1 for Accounts Receivable reporting.**
- **The clock starts here when measuring date of bill and establishing follow-up cadence.**
- **Follow-up Activity**
- **DNFB**: Discharged, Net, Follow-up, Billing
- **DNFC**: Discharged, Net, Follow-up, Coding
UBOs may maximize the success of follow-up efforts by:

- Follow well defined/developed **policies and procedures**
- Implementing **performance standards** for personnel
- Providing **training** to personnel in the appropriate collection techniques (self-pay and third-party payer accounts)
- Incorporating electronic **workflow automation**
- Use of **online web tools** to facilitate follow-up
- Ensuring **documentation of all efforts** in the patient accounts system of record
Common Issues and Opportunities

Issues
- Significant amount of claims billed daily with numerous payers and procedures
- Lack of time and resources for follow-up and focus on small balance accounts for patient and insurance claims
- Discharged, Not Final Billed (DNFB) & Discharged, Not Final Coded (DNFC)

Opportunities
- Account follow-up is best performed when the organization/facility has defined processes and procedures, such as:
  - Define standardized account flow based on payer and payment pattern
  - Electronic workflow automation to queue up accounts for follow-up at specific intervals
  - Management reporting capability to track accounts that exceed predetermined threshold for receiving payment
  - Identification of dollar value and age threshold for follow-up and write-off
There are two types of A/R in governmental accounting:

- Intra-Governmental (often referred to as interagency, e.g., Coast Guard, VA)
  - Disputes regarding claims against other federal agencies (e.g., Coast Guard, VA) are to be resolved per Code of Federal Regulations 4 CFR 101 – Federal Claims Collections Standards

- Public (e.g., civilian emergencies, Third Party Collections)
  - Need to establish an allowance for bad debt
  - Gross versus Net (reduced amount)

• DoD Financial Management Regulation (FMR), Volume 6B, Chapter 10, “Notes to the Financial Statements” dated April 2013

A/R are reported on the annually audited financial statements


Medical A/R previously was NOT being reported by the SMA activities
• Accounts Receivable Policy Memorandum signed on 8 May 2008

• Establish policy for the recognition (“as rendered”), classification, recording, aging, collection, disposition and reporting of accounts receivable in order to improve the accuracy of financial statements

• Compliance with DoD’s Financial Management Regulation (FMR) and Generally Accepted Accounting Principles (GAAP)
Third Party Collections (TPC)

Medical Services Account (MSA)

Medical Affirmative Claims (MAC)
• Third Party Collections (TPC)
  – Total Third Party Collections (TPC) Billings in FY 2017 were $305 million
  – Total TPC Collections from insurers in FY 2017 were $144 million

• Medical Services Account (MSA)
  – Combination of both Intra-governmental A/R (e.g., Coast Guard, VA)
    and Public A/R (e.g., civilian emergencies)
  – Total MSA amount collected for medical care provided in MTFs for FY 2017 was $278 million

• Medical Affirmative Claims (MAC)
  – Medical Affirmative Claims (MAC) A/R is all Public A/R (e.g., insurance companies, liable individuals)
  – Total MAC amount collected for medical care provided in MTFs for FY 2017 was $13 million

• ALL funds collected are retained by your MTF
  – TPC funds are in addition to the MTF’s O&M budget
• FY 2018 (as of 31 March 2018) Intra-Governmental Accounts Receivable
  – SMA-Army ($397.3 Million)
  – SMA-Navy ($7.8 Million)
  – SMA-Air Force ($0.0 Million)
  – SMA-NCR Medical Directorate ($55.2 Million)
- FY 2018 (as of 31 March 2018) Nonfederal Receivables from the Public, Net (reduced by Allowance for Estimated Uncollectibles)
  - SMA-Army ($150.4 Million)
  - SMA-Navy ($11.9 Million)
  - SMA-Air Force ($94.4 Million)
  - SMA-NCR Medical Directorate ($74.8 Million)
- SMA – Navy (BUMED)
- SMA – Army (MECOM)
- SMA - Air Force
- SMA – National Capitol Region Medical Directorate
## BUMED Public Accounts Receivable

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<tr>
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<tbody>
<tr>
<td>1</td>
<td>Net Realized Value (NRV) Calculated in ABACUS</td>
</tr>
<tr>
<td>2</td>
<td>Uniform Business Office (UBO) Staff at each MTF pulls A/R Package with NRV amount from ABACUS</td>
</tr>
<tr>
<td>3</td>
<td>The UBO gives the A/R Package with NRV amount to MTF's Accounting Department</td>
</tr>
<tr>
<td>4</td>
<td>MTF Accounting Department enters NRV into STARS-FL</td>
</tr>
<tr>
<td>5</td>
<td>DFAS Rome prepares Monthly Receivables Data (MRD) from files that are queried from STARS-FL.</td>
</tr>
<tr>
<td>6</td>
<td>MRD is uploaded to portal for DFAS Columbus to be consolidated.</td>
</tr>
<tr>
<td>7</td>
<td>DFAS Cleveland receives and validates the MRD.</td>
</tr>
<tr>
<td>8</td>
<td>DFAS Cleveland inputs MRD into Accounts Receivable Tool to extract Data File</td>
</tr>
<tr>
<td>9</td>
<td>DFAS Cleveland submits Accounts Receivable Data File to the ESS Team at DFAS Indy</td>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
# BUMED Public Accounts Receivable

## Process Flow Diagram

**MTF**
- **Start**
  - 1. NRV Calculated in ABACUS
  - 2. UBO Staff Pulls A/R Reports with NR from ABACUS
  - A/R Reports with NR

**MTF Accounting Department**
- 3. Receives A/R Reports with NR from UBO office
- 4. Enters A/R Receivable amounts in STARS-FL
- 5. Prepares MRD based on data queried from STARS-FL
- 6. Submits MRD to DFAS Cleveland
- 7. Receives and validates MRD

**DFAS Rome**
- 9. Submits Accounts Receivable Data File to ESS Team

**DFAS Cleveland**
- 8. Inputs MRD into Accounts Receivable Tool to extract Data File

**DFAS Indy**
- ESS Accounts Receivable Reporting

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**Legend**
- Process
- System
- ESS Work Flow
- Document

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[EY Audit Support Team, DHA A/R Working Group, May 2018]
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<tr>
<td>1</td>
<td>MEDCOM pulls Accounts Receivable Aging reports from ABACUS.</td>
</tr>
<tr>
<td>2</td>
<td>MEDCOM calculates amount for Public Accounts Receivable after removing Medical Affirmative Claims (MAC) Accounts Receivable.</td>
</tr>
<tr>
<td>4</td>
<td>MEDCOM completes MRD Monthly Summary Allowance</td>
</tr>
<tr>
<td>5</td>
<td>Mr. George Crichton at MEDCOM submits Allowance for Doubtful Accounts spreadsheet, MRD spreadsheet, and MRD-TROR Certification Letter to DFAS Indianapolis</td>
</tr>
<tr>
<td>6</td>
<td>Mr. Richard Regan at DFAS Rome pulls Legacy A/R Data from STAFINS and SOMARDS</td>
</tr>
<tr>
<td>7</td>
<td>DFAS Rome completes MRD with Legacy A/R Data</td>
</tr>
<tr>
<td>8</td>
<td>DFAS Rome submits Legacy A/R Data MRD to DFAS Indianapolis</td>
</tr>
<tr>
<td>9</td>
<td>Ms. Brenda Harvey at DFAS Indianapolis receives the MRD and validates data.</td>
</tr>
<tr>
<td>10</td>
<td>Resubmits to MEDCOM if corrections are needed.</td>
</tr>
<tr>
<td>11</td>
<td>Submitter makes any necessary correction. Return to step 3.</td>
</tr>
<tr>
<td>12</td>
<td>Inputs MRD into Accounts Receivable Tool (Microsoft Access Tool) to extract Data File</td>
</tr>
<tr>
<td>13</td>
<td>Submits Accounts Receivable Data File to ESS Team</td>
</tr>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
MEDCOM Public Accounts Receivable, cont.

MEDCOM Public Accounts Receivable

MEDCOM

1. Pull Accounts Receivable Aging Reports from ABACUS

2. Calculate amount for Public Accounts Receivable by MAC A/R

3. Completes MRO spreadsheet and MRO-TROR Cert. Letter

4. Completes MRO Monthly Summary Allowance

5. Submits MRO, MRO-TROR Cert., and Allowance for Delinquent Accounts to DFAS

6. Pulls Legacy A/R Data from STANFIS and SCN/AUDS

7. Completes MRO with Legacy System A/R

8. Submits MRO with Legacy System A/R to DFAS Indianapolis

9. Receives and validates MRO

10. Sends MRO back to submitters

ESS Accounts Receivable Reporting

11. Make corrections

12. Imports MRO into Accounts Receivable Tool (Microsoft Access File) to extract Data File

A/R Data File

Legend

- Process
- System
- ESS Work Flow
- Document
- Decision

[EY Audit Support Team, DHA A/R Working Group, May 2018]
## Air Force Public Accounts Receivable

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<tr>
<td>1</td>
<td>Air Force pulls Accounts Receivable reports from ABACUS.</td>
</tr>
<tr>
<td>2</td>
<td>Air Force uses ABACUS reports and Fed Debt reports to complete Monthly Receivables Data (MRD) report to include Third Party Collections (TPC) and Medical Service Account (MSA).</td>
</tr>
<tr>
<td>3</td>
<td>Amalia Bozoki at Air Force submits MRD report to Vonjia Shannon at DFAS Columbus via E-mail and SharePoint.</td>
</tr>
<tr>
<td>4</td>
<td>Vonjia Shannon receives MRD report.</td>
</tr>
<tr>
<td>5</td>
<td>DFAS Columbus verifies amounts on MRD report.</td>
</tr>
<tr>
<td>6</td>
<td>DFAS Columbus inputs MRD into Accounts Receivable Tool (Microsoft AccessFile).</td>
</tr>
<tr>
<td>7</td>
<td>DFAS Columbus submits the Accounts Receivable Data File to the ESS Team at DFAS Indy.</td>
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<td>1</td>
<td>UBO Staff at Walter Reed and Ft. Belvoir pull A/R report from ABACUS.</td>
</tr>
<tr>
<td>2</td>
<td>NCR completes Monthly Receivables Data (MRD) spreadsheet and MRD-TROR (Treasury Report on Receivables) Certification Letter based on Medical Service Account (MSA) and Third Party Collections (TPC) information from A/R reports.</td>
</tr>
<tr>
<td>3</td>
<td>NCR complete MRD Monthly Summary Allowance</td>
</tr>
<tr>
<td>4</td>
<td>Denise Pabon at NRC submits MRD Monthly Summary Allowance, MRD spreadsheet, and MRD-TROR Certification Letter to DFAS Indy</td>
</tr>
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<td>Mr. Richard Regan from DFAS Rome pulls Legacy A/R Data from STAFINS and SOMARDS</td>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
NCR Public Accounts Receivable

Legend
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- ESS Work Flow
- Document
- Decision
## BUMED Intragovernmental Accounts Receivable

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<tr>
<td>1</td>
<td>MTF UBO Staff prepared Intra-Agency Billing (IAB) bills</td>
</tr>
<tr>
<td>2</td>
<td>MTF UBO Manager manages (IAB) Billings and Collections Tracker as collections are received.</td>
</tr>
<tr>
<td>3</td>
<td>MTF Staff Accounting Technicians monitor collections in STARS-FL, Enter Work Estimates into STARS-FL</td>
</tr>
<tr>
<td>4</td>
<td>MTF Staff Accounting Technicians enter Cost Transfers to in FASTDATA</td>
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<td>DFAS Rome prepares Monthly Receivables Data (MRD) from files that are queried from STAFS-FL.</td>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
BUMED Intragovernmental Accounts Receivable

**Legend**
- Process
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[28]

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<td>1</td>
<td>Treasury provides amounts for Intragovernmental A/R to DFAS Indianapolis via Cash Management Report (CMR) report.</td>
</tr>
<tr>
<td>2</td>
<td>DFAS Indianapolis receives the CMR report</td>
</tr>
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<td>3</td>
<td>Collections and Disbursements are removed from Intragovernmental A/R</td>
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<td>4</td>
<td>Collections and Disbursements are returned to Intragovernmental A/R based on amounts from CMR</td>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
MEDCOM Intragovernmental Accounts Receivable, cont.

MEDCOM Intragovernmental Accounts Receivable

MEDCOM MTF

Treasury

1. Provides amounts for Intragovernmental A/R to DFAS Indianapolis

2. Receives CMS report from Treasury

DFAS Indy

3. Removing collections and disbursements

4. Enters Intragovernmental amounts according to CAM

Legend

- Process
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<tr>
<td>1</td>
<td>For Government Agencies: USPHS, VA, NOAA, and IMS: Generate SF 1080 and supporting documentation</td>
</tr>
<tr>
<td>2</td>
<td>Submit to appropriate organization</td>
</tr>
<tr>
<td>3</td>
<td>Receive payments via IPAC</td>
</tr>
<tr>
<td>4</td>
<td>For USCG: Record estimate of charges for upcoming year</td>
</tr>
<tr>
<td>5</td>
<td>Collects advance payments</td>
</tr>
<tr>
<td>6</td>
<td>Removes costs as services are provided to dependents</td>
</tr>
<tr>
<td>7</td>
<td>DFAS Accounts Receivable office produce MRDs with data extracted from GAFS-BQ and DEAMS</td>
</tr>
<tr>
<td>8</td>
<td>MRDs are submitted to DFAS Columbus Departmental Reporting to upload to the AR TDOL</td>
</tr>
<tr>
<td>9</td>
<td>Quarterly, DFAS-CO extracts the federal AR balances from GAFS-R and the AR TOOL, and performs an analysis and reconciliation</td>
</tr>
<tr>
<td>10</td>
<td>The GAFS-R Feeder file is submitted to DDRS-B</td>
</tr>
<tr>
<td>11</td>
<td>Quarterly, DFAS-Indy extracts the federal AR balances from DDRS-B and the AR TOOL, and perform an analysis and reconciliation</td>
</tr>
<tr>
<td>12</td>
<td>DDRS-B Feeder file is submitted to DDRS-AFS for reporting</td>
</tr>
</tbody>
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[EY Audit Support Team, DHA A/R Working Group. May 2018]
Air Force Intragovernmental Accounts Receivable, cont.

Air Force Intragovernmental Accounts Receivable

1. Generate OPlsWv and supporting documentation
2. Submit appropriate organization
3. Receive payments via IPAC system
4. Records estimate of charges for upcoming year
5. Collects advance payments
6. Receives costs as services are provided to departments

Air Force MTF

Accounts Receivable Office

DFAS-CO

DFAS-Indy

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<td>6</td>
<td>Treasury provides amounts for Intragovernmental A/R to DFAS Indianapolis via Cash Management Report (CMR) report.</td>
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<td>DFAS Indianapolis receives the CMR report</td>
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<td>Collections and Disbursements are removed from Intragovernmental A/R</td>
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[EY Audit Support Team, DHA A/R Working Group, May 2018]
NCR Intragovernmental Accounts Receivable, cont.

NCR Intragovernmental Accounts Receivable

Start -> Beneficiary of what Gov Organization -> USPHS via MODA -> NCR MTI

1. Generates SF1080 and supporting documentation -> 2. Submit to appropriate organization

SF1080 and supporting doc -> ASACUS

3. Receives payments via IPAC

4. Records estimate of charges -> 5. Collects advance payments

USCG

Treasury

6. Provides amounts for Intragovernmental A/R to DFAS Indianapolis

DFAS Indy

7. Receives CMR report from Treasury

8. X-ranks collections and disbursements

9. Enters intragovernmental amounts according to CMR

Legend:  
- Process  
- System  
- Decision  
- Document

[EY Audit Support Team, DHA A/R Working Group, May 2018]
Kearney & Company’s May 2018 Observations to date

1.) Service Medical Activity does not have a process to record medical A/R for patients after services are rendered. Service Medical Activity has elected to record medical A/R and associated revenue upon the receipt of cash collections for the associated billing.

2.) Patient eligibility and billing is reliant on the accuracy of data within DEERS for determination. If DEERS records are not up to date, Service Medical Activity runs the risk of ineligible patients receiving care who are not insured by a third-party insurer.
Kearney & Company’s May 2018 Observations to date

1.) During Kearney’s walkthrough related to intragovernmental receivables at MTF, staff at MTF indicated that MTF is unable to collect the full amount billed to the Department of Veterans Affairs (VA) on a consistent basis. According to the Staff at MTF, the VA reviews the claims submitted and determines what the full amount to pay should be for services rendered by MTF. Kearney is aware of similar situations being reported in the past and will be looking to gain an understanding of the business relationship between the Service Medical Activities and the VA.
Kearney & Company’s May 2018 Observations to date

1.) Service Medical Activity does not have the ability to readily produce detailed level entity-wide receivable reports from ABACUS, impeding its ability to support its recorded AR balance.
Kearney & Company’s May 2018 Observations to date

1.) Service Medical Activity does not have a process in place to record medical A/R for patients after services are rendered. Service Medical Activity has elected to record medical revenue upon the receipt of collections for the associated billing.
Executive Support System (ESS) Workflow Process

Accounts Receivable – Reporting Receivables – ESS Accounts Receivable Reporting

1. Export data & narrative CSV file from RA ARTool and upload to ePortal
   2. Import into Corp AR Tool
   3. Check balances against the FY recorded balances
   4. Balances Correct?
   5. Make necessary corrections
   6. Prepare TROR for Public Reporting
   7. Is it the Quarterly submission?
   8. Forward TROR (consolidated) to Agency Wide for reconciliation to CDRS.
   9. Do Amounts Balance?
   10. ESS AR submits TROR to Treasury.
   11. Treasury receives TROR
   12. Upload Consolidated data and narrative CSV file to ABL Operational Metric Sharepoint page, MEOC submits to OSD.
   13. OSD Receives File

[EY Audit Support Team, DHA A/R Working Group, May 2018]
Questions?
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