

Are you underreporting your Medicare bad debts?



ARTICLE 12.09.18 DEAN DORTON

Medicare reimburses providers for 65% of bad debts related to Medicare patients' copays and deductibles, incentivizing providers to capture all allowable bad debts and report them on their Medicare bad debt logs. But still today, many providers seem to be underreporting their Medicare bad debts.

As a general rule, most providers should be able to claim 20% to 30% of their Medicare coinsurance and deductibles amounts as bad debts. However, we see many providers preparing their bad debt logs manually and reporting less than 20%, indicating that substantial reimbursement opportunities could be left on the table. One major reason that providers do not claim all of their allowable bad debts is the complexity of the process to identify bad debts. Many smaller providers use manual, labor-intensive processes to identify these amounts and can result in money left on the table.

An allowable Medicare bad debt is related to Medicare Part A and Part B deductible or coinsurance amounts for hospitals, skilled nursing facilities, swing beds, distinct part psychiatric or rehabilitation units, and clinics. It does not include non-covered services items, professional fees or copays thereof, outpatient therapy coinsurance amounts paid under PPS, ESRD coinsurance, mammography coinsurance, or other laboratory coinsurance paid under a fee schedule. Allowable Medicare bad debt also does not include bad debts pertaining to Medicare Advantage claims, although these bad debts may be partially reimbursed under your Medicare Advantage contracts.

Lastly, 42 CFR 413.89(f) requires that the uncollectible Medicare deductible and coinsurance be charged off as bad debts in the accounting period when the bad debt is determined to be worthless.

The three types of allowable bad debt claims are:

- Accounts which meet your guidelines in your charity write off policy
- Accounts billed to Medicaid as secondary
- Accounts sent to collection agencies

Reasonable collection efforts and rules vary with each type of claim.

Dean Dorton has developed tools to systematically identify each type of bad debt and generate bad debt logs. Our healthcare consulting team would be happy to review your patient encounter and financial transaction data files and tie that data to traditional Medicare accounts to prepare complete and accurate bad debt logs.

For more information, please contact:

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