

The A/R Relationship – A Healthcare Debt Collection Primer

Professional collection agencies work ethically and efficiently with your patients

It is a problem as old as the very existence of hospitals in America: What is the fairest, most compassionate and yet responsible way to deal with the reality of patients who cannot or do not pay for the care they receive? Providing charity care for those with little or no ability to pay is part of the mission and culture of virtually all hospitals. But in order to meet the broader mission of service to all, hospitals must adopt sound business practices – and that means making a good faith effort to collect from those who have the ability to pay. With millions of Americans uninsured and millions more seeing their insurance coverage erode, hospital leaders are struggling with how best to meet their obligations as stewards of resources and at the same time responsibly, ethically and sensitively recover payment on bad debt. This difficult dilemma, once an internal management challenge, has been thrust into the public spotlight in recent years as community groups, the media and government question how hospitals devise and administer their policies on billing, collection and charity care.

The result: hospitals are closely examining their internal policies and practices and their relationships with outside collection agencies, including selection and oversight of these organizations. They are undertaking this work not only in response to public concerns, but because many more Americans are faced with medical costs that they have difficulty paying or are not covered by their health insurance.

On the national level, the American Hospital Association has issued guidance to its members and urges every hospital to review its policies for fairness and consistency. That guidance called on the nation's hospitals to be certain that any outside organization used to assist with debt collection

complies with the code of ethics and responsibility of ACA International – the association of credit and collections professionals – and the Fair Debt Collection Practices Act.

ACA International is committed to working with the American Hospital Association to help hospital executives and boards ensure that their debt collection policies and procedures meet the highest professional standards. But more than that, ACA International understands that how a hospital relates to patients and families in the collection process is a reflection of the institution's values, compassion and mission. How then can hospitals, in the high pressure economic and performance environment in which they exist today, be certain their accounts receivable vendor is credible, compliant and community sensitive? It all boils down to three critical strategies: select the right outside billing or collection partner; set clear indicators for success; and keep communicating to create a relationship of confidence and trust.

Selection of a Third Party Billing and Collection Agency

The decision to retain an outside partner to handle billing and debt collection is almost always driven by a desire to contain costs, enhance efficiency and turn the difficult task over to specially trained professionals. These companies invest in sophisticated technology and employ highly trained personnel who often specialize in healthcare collections, allowing them to function as an extension of the hospital's accounts receivable department. The result often can be improved collection rates and more resources to devote to the hospital core mission: providing quality patient care. Today, America's hospitals are under increasing financial pressure. With so many Americans strapped with higher co-pays and deductibles under their health insurance plans or without coverage altogether, hospitals' bad debt numbers are rising. Collecting what they can from those who can pay is an integral part of keeping the institution viable.

But the number of firms offering these services is numerous. Choosing the right one requires as much “due diligence” as any business relationship in which the hospital is involved. That makes the hospital’s Request for Proposal (RFP) to potential partners the critical first step.

The RFP should not only help the hospital root out the most qualified firm it can find, it also must send the potential partner a clear message about the hospital’s mission, values, ethics, business philosophy and expectations. The hospital must come away with a strong picture of the firm’s senior management team, the caliber of its employees, its internal training program, its quality assurance program, system capabilities, experience with similar types of work, reputation within the industry and even their business philosophy. Only through this sort of extensive “due diligence” can hospitals responsibly evaluate the financial strength, operational infrastructure, expertise and professionalism of potential billing and collection agency partners.

Indicators of Success

The most fundamental questions in an RFP should deal with compliance with all applicable federal and state laws, including any state licensing requirements, the Fair Debt Collection Practices Act (FDCPA), the Fair Credit Reporting Act (FCRA), the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and any state laws or policies which impact the process by which healthcare accounts may be collected.

With the basic legal requirements covered, be sure to get a detailed description of a candidate’s quality assurance program – if it doesn’t have one, forget it. Be certain the firm has the requisite technological and human resources to provide all of the services the hospital may require.

Some of the support services you may need from a collection agency: include:

- Admission and registration support.
- Certification for medical assistance, charity or free care.
- On site or off site customer service and post visit follow up.
- Medical coding or medical records management.
- Medical billing.
- Clearinghouse services.
- Insurance follow up.
- Denial management along with re-billing and follow up prior to expiration of claims filing deadlines.
- Account backlog resolutions
- Collection of co-pays, deductibles, out-of-pocket or coinsurance amounts.
- Charge master review.
- Training and continuing professional education.
- Temporary or support services.
- Credit reporting.
- Self-pay collections.
- Legal process in states having right of assignment laws.

A well constructed RFP can be the key to not only thoroughly assessing the qualifications and services of a potential collection agency, it also can help the hospital glean a solid understanding of an agency's strength as a business. Be sure your RFP asks for the following kinds of information:

- The agency's financial stability and soundness.
- Statement of compliance with the Fair Debt Collection Practices Act, et al.

- Statement of compliance with the ACA Code of Ethics and Code of Operations.
Statement of membership in good standing with ACA International.
- Membership certificates in trade association specialty programs such as ACA International's Health Services Program.
- Copies of current errors and omissions insurance and bond certificates.
- Copies of all relevant state collection agency licenses and registrations.
- Documentation of all trade association credentials achieved by the collection agency, such as but not limited to, ACA's Professional Practices Management System Certificate which is a recognized quality assurance program for the collection industry.
- Evidence of a Code of Conduct signed by all collection employees.
- Talk-off scripts (the scripts used by collectors when interacting with patients).
- Call monitoring and customer service procedures.
- Quality control procedures.
- Sample letters and forms.
- Reporting formats.
- Staff hiring process and background checks.
- Staff training and credentialing.
- Commitment to continuous progress.
- Document retention policies.
- System capabilities.
- Information systems and telecommunications systems and resources.
- Biographies of key personnel.
- Proposed workflows.

ACA International recommends that hospitals get this documentation either as part of the RFP process or when the field has been narrowed to three or four potential collection agency partners. The AHA's revised Statement of Principles and Guidelines on hospital billing and collection practices urges hospitals to define the standards and scope of practices to be used by outside collection agencies acting on their behalf, and get agreement to these standards in writing from agencies. The guidelines also recommend that hospitals have written policies about when and under whose authority patient debt is advanced for collection. Selecting an agency that will abide by these guidelines is an important factor in the success of an accounts receivable cycle. Members of ACA's Healthcare Services Program support the AHA guidelines and are working with current and prospective clients to meet these requirements and will be prepared to include this information in their responses to all RFPs.

At the end of the selection process, what is the single strongest factor for choice? For many hospitals, the major consideration may be price. It is vital, however, to shift from the perspective of "cost" to one of "value." The lowest-priced agency not be able to provide the services most closely suited to a particular hospital's needs. It's the return on investment equation. The right collection agency will help you improve financial performance, meet all the compliance requirements, and maintain a strong reputation in the community for fair, compassionate, and ethical billing and collection practices. In today's environment, those are the strongest indicators of success.

Creating a Relationship with Confidence

The process the hospital uses to evaluate responses to their RFP is the first step in creating a solid relationship with whatever firm is eventually chosen. When the field is narrowed, the obvious steps are easy: face-to-face sales presentations, interviews or site visits, contacting other clients,

and doing the required “due diligence” on financial and other information are actions the hospital probably takes before entering into any business relationship.

A more difficult assessment to make during this stage is how well an agency will align with the hospital’s culture. Urban hospitals will have a different payor mix than rural hospitals. Rural communities are culturally different than urban or suburban ones. Hospitals in certain states or cities may have a high percentage of patients for whom English is not a primary language. Selecting an agency compatible with these elements of culture is vital not only in creating a strong provider-agency relationship, but also in ensuring that the hospital’s reputation in the community remains strong and positive.

When you think you’ve found the right “fit,” the job isn’t quite over. Drafting a detailed, comprehensive contract is perhaps the most important element in the process. Since the collection agency will have access to protected health information (PHI) as defined under HIPAA, the parties will sign a Business Associate’s (BA) agreement. This document should specifically outline the responsibilities of the agency under HIPAA and its duty to access, use and house PHI as required by the hospital. In addition, the expectations of both parties should be clearly laid out in the BA agreement—including what the agency requires of the healthcare provider to ensure success. [See SideBar listing the Top 10 Provisions of a Collection Agency Agreement.] This means the hospital must work with the collection agency to set firm policies on exactly how debt will be collected and the legal remedies the collection agency may in the process. The collection agency is indeed an “agent” of its “principal.” In this case, the principal is the hospital and the agency is acting at all times at the hospital’s direction. A clear, detailed contract will set the stage for a relationship that will strengthen both the hospital’s financial picture and its ability to care for patients and give the hospital executive and board the confidence that their billing and collection processes meet the highest compliance and ethical standards.

As with any business relationship, the provider-agency relationship will evolve over time and both parties will have to work to be certain those standards are maintained – and that means oversight. Be ready to work with the agency to spot potential problems and correct them early. That will entail a quality assurance program, regular reports from the agency to hospital leaders and periodic meetings with agency senior management and hospital staff with the authority to change policies and procedures in a timely manner. The hospital's liaison with the agency should be prepared to monitor the agency's activities and require routine reports, including information on patient concerns and inquiries. Quarterly status reports should be provided to the hospital's board and key members of the senior management team. Proactive agencies will view the early discussion of problems and the opportunity to provide reports as opportunities to offer solutions and build the foundation for a solid relationship.

State governments, the media and consumer groups continue to focus attention on healthcare billing and collection practices. In addition, hospital executives must act as the stewards of healthcare services in order to best serve their communities. A hospital's ability to act as a steward and seek payment for services rendered is often dependent upon the quality and caliber of its business associates, including the collection agencies. Members of ACA International, *The Association of Credit and Collection Professionals (ACA)* provide a variety of services to assist in the payment and collection of healthcare receivables. In doing so, these members assume responsibilities to professionally and ethically serve the healthcare industry, the patients of healthcare providers and the public at large.

Perhaps there is no better time for hospitals to reassess their collection efforts and determine if their billing and collection agency partners are providing high quality services to meet the hospital's changing needs. Given the complexity of the health care system and the need for

hospitals to serve as the stewards of the services they provide, developing a successful relationship with a collection agency service provider becomes the building block for success.

To obtain a list of ACA International's Healthcare Services Program members in your area, or for additional resources for first-party healthcare receivables professionals, please contact hsp@acainternational.org or +1(952) 926-6547.

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Sidebar #1

ACA International, the Association of Credit and Collection Professionals, brings together more than 6,000 members worldwide, including third-party collection agencies, attorneys, creditors and vendor affiliates. Since its founding in 1939, the association has been establishing ethical standards and producing a wide variety of products, services and publications.

Healthcare billing and collection is unique among the credit and collection industry. ACA International's Healthcare Services Program keeps nearly 600 members up-to-date on the latest healthcare receivables and collection issues—from legislation to media relations to creating strong, ethical relationships with hospital clients. The Healthcare Services Program creates a well-qualified pool of potential collection partners for any hospital.

Side Bar #2

According to *Modern Healthcare*, hospitals in the United States provided \$27 billion in uncompensated care in 2004. More than 58 percent of that uncompensated care was bad debt, according to *Hospital Accounts Receivable Analysis* statistics. This totaled more than \$15.6 billion in healthcare bad debt in 2004.

Sidebar #3

The ACA International Code of Ethics and Code of Operations requires, members of the association to comply with all federal and state laws, to remit payment to the client promptly, maintain trust accounts as required by state law, validate amounts due upon the written request of the patient/debtor, prevent the unauthorized disclosure of the debt to a third party, communicate with patients in a manner which does not constitute harassment and to only employ collection techniques for which the agency has authorization.

Hospitals or patients are encouraged to visit the ACA International web site for more information about their rights under the law, their right to file a complaint with the ACA Ethics Committee and a complete roster of members of ACA International. Visit [ACA International.org](http://ACAInternational.org)

Sidebar #4

Note: Top 10 Provisions of a Collection Agency Agreement will be inserted here upon completion.

