



ADMINISTRATION -- FISCAL/ACCOUNTING

DEDUCTIONS FROM REVENUE OPERATIONAL PROCEDURE

June, 1988 (rv 3/90, r 9/96, r 4/99, rv 9/02, 9/05, 11/07, r 4/10, 7/14)

Policy Ref: 110-01

Reviewed/Revised: April, 2017

Procedure: 110-02

A. PURPOSE:

In many instances, LifeStream receives less than its full established charges for the services it renders. It is essential that LifeStream ledgers reflect both the gross revenue and revenue "adjustments" resulting from inability to collect established charges and/or contractually mandated adjustments for services provided. Therefore, the function of this procedure is to establish a mechanism for determining deductions from revenue.

B. PROCEDURE:

- I. After staff of the Business Office have made every effort to either collect an account, or confirm the low income status of the individual, the account is forwarded to the Collection Department for final determination. The Collection Department personnel review each case and determine the exact type of deduction that will be taken on the account. The Chief Financial Officer will have the final approval on all accounts prior to reporting deductions from revenue.
- II. Criteria for determining deductions:
 - a. Bad Debts: An account receivable that is regarded as uncollectible after all collection efforts have been exhausted and is charged as a credit loss even though the individual may have the ability to pay.
 - b. Contractual Allowances: A individual or group of individuals for whom the Center has agreed to provide specific services, the payment for which is made to LifeStream on the basis of a contract between the outside agency and LifeStream. The difference between the contract amount and full fee is the contractual allowance:
 - 1) Contractual adjustment – PPO
 - 2) Contractual adjustment – Medicare/HMO
 - 3) Contractual adjustment - Medicare
 - 4) Contractual adjustment – Medicaid/HMO
 - 5) Contractual adjustment - Medicaid
 - 6) Contractual adjustment - Champus/VA
 - 7) Contractual adjustment - Other

- c. Charity/Uncompensated Care/Sliding Fee Scale: These deductions are recorded for individuals who have been determined as unable to pay their bills according to established Federal Poverty Guideline requirements.
- d. Administrative Adjustments: This adjustment will be utilized should after review of the record and bill any part should be found non-compliant. The use of this code requires administrative approval. The use of this code requires administrative approval.
- e. Goodwill Courtesy: These deductions represent adjustments for items such as courtesy allowance and employee discounts from the hospital's full established charges for services. The use of this code requires administrative approval.
- f. Medicare/Medicaid/Co-Insurance/Deductible Bad Debt: This adjustment will be used for accounts with Medicare primary and Medicaid secondary. Effective July 1, 1998, Medicaid no longer pays deductibles and co-insurance for individuals in a free-standing psychiatric hospital. This deductible/co-insurance must be tracked for auditing purposes as it relates to cost reporting requirements.

PROCEDURE APPROVED:

QI/RM Director

Date