

Accounts Receivable and Billing issues:

Misconception: It's being reported that the hospital has \$12-\$16 million in Accounts Receivable (A/R).

Fact: Unlike a normal business, A/R shown on financial statements of the hospital is not what we expect to be paid since most of the hospital's billings are actually paid under contracts that discount the charges. Accounts Receivable owed by all payers (expected payment) has never exceeded \$3,700,000.00 in the last 3 years.

Hospital charges and payments are controlled by insurance contracts. In a normal business, the owner/manager determines prices by the wholesale cost + markup and their accounts receivable represent exactly what they expect the account holder to pay. The hospital must use a charge structure set by insurance and by Medicare guidelines so that every patient is billed the same amount even though the amount owed by contract is considerably less than the amount billed.

As an example, the insured can look at their insurance company's Explanation of Benefits (EOB) and see there is a column for the amount billed by the healthcare provider and a column for the allowable amount. In most cases the insurance company pays only the allowable amount requiring the healthcare provider to write off the difference. The only other expected payment is from the patient themselves in the form of deductible and coinsurance (which we collect in advance to insure payment).