

Part B Insider (Multispecialty) Coding Alert

Billing: Know When You Can Write Off a Patient Balance --And When You Should Avoid It

You'll end up on the audit radar if you try to skirt the issue.

Being a compassionate, caring practice is a great thing, but if you're letting patients off the payment hook, your compassion could land you on your payer's and the Attorney General's bad side. Find out if you know the bottom line when it comes to writing off patient balances by taking a look at this case study.

Scenario: Your physician sees several patients who were recently let go because a local company shut down. The doctor would like to continue to see those patients but would also like to waive their copayments and deductibles.

Billing dilemma: The physician would like to send the patient two bills, but tell the patient to ignore them. Then, he wants you (the biller) to write off the "bad debt" after the second bill is sent out.

Ensure you're not setting yourself up for major troubles with these three tips.

1. Avoid Potentially Fraudulent Exceptions

You should never tell patients to ignore the bills you send because you'll just write off the charges after a certain time period.

"Whereas waiving of a fee for a professional courtesy or financial hardship may be nice, you may get yourself into hot water," warns **Kristine Newton, CPC**, billing coordinator for Sarasota Orthopedic Associates in Fla. "If there was ever an audit do your physicians want to risk the ramifications of being nice?"

Here's why: You must make a good faith effort to collect from your patients. Most practices send at least three statements to a patient to try to collect on an outstanding bill, experts say. How you make the good faith attempt to collect is up to your practice, but be sure to document your efforts.

Not only do you run the risk of upsetting other patients who could find out about the unfair policy, you could also be violating your payer contracts or even anti-kickback laws. "Check your contracts with the insurers -- is it a violation to waive these fees? You are not supposed to do this with federal programs (i.e., Medicare)," Newton says. "Make sure you are not violating the anti-kickback statute as it carries stiff fines of \$10,000-25,000," she adds.

Pointer: "I would recommend being careful about telling patients to ignore the statements and then it will be written off, as there are 'secret shoppers' sent by the government and by third-party payers," warns **Barbara J. Cobuzzi, MBA, CPC, CENTC, CPCH, CPC-P, CPC-I, CHCC**, president of CRN Healthcare Solutions, a consulting firm in Tinton Falls, N.J. "If they are told this, it will be uncovered that the three statements are really not a good faith attempt to collect. So, the practice should really be trying to collect with sending the three statements, and hopefully some patients will be paying. Others will not, and it will then be up to the discretion of the practice management to pursue the balance or write it off."

2. Keep Financial Hardship Proof If You Do Waive Payments

Don't think that you can't ever write off a patient balance. "The concept is that the practice has to demonstrate that they have made a good faith attempt to collect and then they wrote off the balance," Cobuzzi explains.

If you have patients who truly cannot pay their balances because of financial hardship, you might want to consider writing off the balance -- after you've made an effort to try to collect and you have gotten proof of financial hardship.

"If there is a true financial hardship, have them fill out a request for waiving of the balance and follow-up to see if there is actually one," Newton says. "Bona fide patients will not mind."

Get proof: In order for your practice to write off a patient's bill due to financial hardship the patient needs to be able to prove he is unable to pay. To prove financial hardship, you should ask the patient to provide you with information such as gross monthly income, assets, monthly household expenditures, and number of dependents.

3. Be Consistent in Your Collection Processes

The key is that you have to apply a consistent collections policy to all of your patients. "If your normal process is to send a patient to collections if they do not pay you have to follow the same guidelines with this patient," warns **Michael A. Reynolds, CPC, CCP-P, CPMB, OS**, compliance manager at Sharp HealthCare in San Diego, Calif.

Good practice: "It needs to be documented office policy that is followed to the written letter of what would constitute an exception to having the patient pay all deductibles and co-pays," says **Patricia McLean, CPC**, a biller/coder in Lexington, Ky. "You cannot just pick and choose with certain patients. There must be a written policy describing exact conditions/checks and balances that is followed to the letter every time."

Keep in mind: If the patient has an insurance with which your practice does not participate, it is acceptable to write off the difference between the practice fee and the insurance allowance and only bill the patient the indicated deductibles and copayments on the remittance advice. "There is no regulation that says that the practice must bill the patient the full practice fee," Cobuzzi explains. "That difference between the practice fee and the insurance allowance may be written off as long as the patient is paying their portion as indicated by the payer."

Bottom line: "All patients must be treated equally," agrees **PJ Sparks-Kroll, BSBA, CMA-C, EMT, CGCS**, practice administrator at Atlanta Infectious Disease Specialists.

Watch out: Don't be consistent with incorrect practices, however. "Across the board writing off the balances after three months is a red flag to an auditor that there is no good faith attempt to collect and could lead to a compliance and fraud and abuse changes, so practices should beware," Cobuzzi cautions.