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Owner Marco Bogni:
Vice President -
Internal Audit

Area Accounting

Applicability ~Acadia System-
Wide Policies

Self Pay Discounts, Denial, Charity Care and Administrative Adjustments, ALL.ACHC.ACC.1103

1. SCOPE

Acadia Healthcare Co., Inc., including all subsidiaries, affiliates, facilities, and their personnel.

2. PURPOSE

To document Acadia's accounting for self pay discounts, denial, charity care and administrative adjustments.

3. POLICY

Acadia policy requires appropriate management approval for all adjustments to accounts receivable. Additionally, sufficient documentation must be maintained, in the patient file, to support the adjustment prior to posting to both the patient account and the general ledger. The facility will also record appropriate allowances for any anticipated write-offs each month end.

While applying discounts to patient charges is acceptable, it is important to note that according to state insurance codes, a person commits a legal offense if they intentionally or knowingly charge two different prices for providing the same product or service where the higher price is based on the fact that an insurer will pay all or part of the product or service. Therefore, negotiated discounts on charges are allowed. Each facility shall bill all charges based on the facility's chargemaster which is consistent between all payors and negotiated discounts on these charges will then be applied to the account.

4. PROCEDURE

Self Pay Discounts

Self pay patients with no current insurance coverage will be requested to pre-pay for all services at the time of admission/registration. Every facility must maintain a self-pay deposit schedule which details various estimated lengths of stay and the facility's established self-pay rate. The deposit schedule should be used to estimate the patient's upfront payment during the financial counseling process. See **Business Office Policy Financial Counseling, [ALL.ACHC.BO.0150](#)** for additional information regarding financial counseling and the required documentation.

Additionally, payor plans should be set up in the facility's patient accounting system with the established self pay rates. If payor plans have not been set up in the patient accounting system, a self-pay contractual adjustment should be manually posted to the patient account at time of billing and a month-end allowance should be recorded for any unbilled self pay accounts. The month-end self pay contractual allowance should be recorded to GL accounts 1201700 to 1201750. The appropriate patient accounting transaction codes should be utilized for self-pay contractual adjustments and GL accounts 5851000 to 5853500 should be utilized to record such revenue deductions to the general ledger.

Self pay contractual adjustments represent the difference between gross charges and the facility's established self pay rates and should exclude any other types of administrative or other adjustments.

Denial Adjustments

Denial adjustments shall be segregated in a separate account on the general ledger as a revenue deduction (GL accounts 5911000 to 5913000). Denial adjustments include, but are not limited to, clinical denials and procedural denials.

All denial adjustments are required to be written up on a **Patient Account Adjustment Authorization Form (see Attachment A)** which is to be reviewed and signed by the facility BOD and CFO prior to posting to the patient account or general ledger. Adjustments in excess of \$5,000 must also be reviewed and signed by the Facility CEO and any adjustments in excess of \$10,000 must also include the Division CFO approval prior to posting to the patient account or general ledger.

In accordance with **Business Office Policy Denial Review, [ALL.ACHC.BO.0200](#)**, each facility should maintain and update a denial tracking log by patient detailing the reason for the denial, the status of any appeals if any and the balance at risk. The business office should coordinate with the utilization review department to keep the log updated. The log should be utilized to estimate and adjust the necessary allowances each month end, as well as evaluating the productivity of both the business office and utilization review departments.

The month-end denial reserve should establish appropriate reserves for denied accounts based on the likelihood of successful appeal using the following guidelines:

- All denials should be logged with the appropriate reserve % based on collectability projection, determined by the CFO.

- If the facility receives a second denial but believes a successful appeal to be possible, the established reserve should be set at between 75% and 90% of the denied amount.
- If a successful appeal of the denial is remote or if more than two denials have been received, the established reserve should be set at 100% of the denied amount.
- Denial reserves should be consistent with the status of denied accounts according to the denial tracking log.
- Any exceptions should be approved by the Division CFO, EVP, Finance and Corporate CFO.

Charity Care Adjustments

Facilities shall make available charity care services to financially and medically indigent patients within the resources available. When a patient is determined to be "financially" or "medically indigent", the facility may discount all or a substantial portion of a patient's bill. See **Business Office Policy Financial Assistance**, [ALL.ACHC.BO.0010](#) for guidance on determining and approving financial assistance to financially or medically indigent patients.

Definitions

Charity Care - the unreimbursed cost to a facility of providing, funding, or otherwise financially supporting health care services" either to a) persons the facility classifies as "medically indigent" or "financially indigent" who seek inpatient or outpatient hospital services; or b) to financially indigent patients seeking services through other nonprofit or public clinics, hospitals, or health care organizations.

Financially Indigent - an uninsured or underinsured person who is accepted for care with no obligation or a discounted obligation to pay for the services rendered based on the hospital's financial criteria and procedure used to determine if a patient is eligible for charity care.

Medically Indigent - a person whose medical or hospital bills after payment by third party payors exceed a specified percentage of the patient's annual gross income as determined in accordance with the facility's eligibility system, and who is financially unable to pay the remaining bill.

Charity care or indigent care **must be identified prior to the patient's discharge** and must be written off in the patient accounting system no later than the end of the month following discharge with exception of insured patients which can be adjusted at the time of remittance advice. If a patient qualifies for 100% charity, the patient account financial class must be updated to the Charity/Indigent financial class in the patient accounting system. If a patient qualifies for partial charity, the patient account should remain in the self-pay financial class and charity adjustments should be recorded according to the facility's Financial Assistance policy.

Patient accounts pending Medicaid approval shall not be immediately written off as Charity Care. Patients that are in the process of being qualified for Medicaid eligibility should be included in the Medicaid Pending financial class and the necessary contractual allowance should be based on the Medicaid reimbursement rate. Additionally, If the patient is discharged and it is subsequently determined that the patient is not eligible for Medicaid coverage, but is determined to be indigent based on the criteria for the facility, the patient account may be written off as charity after discharge.

Administrative Adjustments

Administrative adjustments include the following:

- Prompt pay discounts (prompt pay discounts do not include the self-pay discounts provided in accordance with the facility's Financial Assistance policies)
- Discretionary adjustments

Administrative adjustments should be segregated in a separate account on the general ledger as a revenue deduction (GL accounts 5891000 to 5893000). Additionally, all administrative adjustments must be documented on a **Patient Account Adjustment Authorization Form (see attachment A)** which is to be reviewed and signed by the facility BOD and CFO prior to posting to the patient account or general ledger. Adjustments in excess of \$5,000 must also be reviewed and signed by the facility CEO and any adjustments in excess of \$10,000 must also include the Division CFO approval prior to posting to the patient account or general ledger.

Authorization forms must be maintained by the facility BOD.

Refunds

Refund requests must be fully documented on the Refund Request form, which is to be reviewed and signed by the facility BOD and CFO prior to the refund being issued and posting to the patient account or general ledger. Refunds in excess of \$5,000 must also be reviewed and signed by the facility CEO and any refunds in excess of \$10,000 must also include the Division CFO approval.

5. REFERENCES

Attachment A Patient Account Adjustment Authorization Form

Attachments

 [A: Patient Account Adjustment Authorization Form](#)

Approval Signatures

Step Description	Approver	Date
Executive Chief Financial Officer	David Duckworth: Executive Chief Financial Officer	10/2022
Group CFO	Tim Sides: Operations Group Chief Financial Officer	08/2022

Division CFO	Adam Cumbo: Division Chief Financial Officer	08/2022
Operations Controller	Monica Tippet: Operations Controller	05/2022
	Marco Bogni: Vice President - Internal Audit	05/2022

Applicability

Acadia CTC, Acadia Corporate, Acadiana, Agave Ridge, Ascension St. Thomas, Azure Acres, Bayside, Belmont, Blue Ridge, Bradford Recovery Center, Brandywine, Bronson, Burkwood, Camp Recovery, Carolina House, Cedar Crest, CenterPointe Columbia, CenterPointe St.Charles, Coachella Valley, Conway Behavioral Health, Cove Forge, Covington, Crestwyn Cons, Cross Creek, Delta Specialty Hospital, Duffy's Rehab, East TN Behavioral, Erlanger, Galax, Geisinger Behavioral Health - Danville, Geisinger Behavioral Health Center Northeast, Glenwood BH, Greenleaf, Harbor Oaks, Haverhill Pavilion, Henry Ford Behavioral Health Hospital, Highland Ridge(closed), Huntington Creek Recovery, Keystone, Lakeland, Lakeview Behavioral, Little Creek, Longleaf, Maple Heights Behavioral Health, McCallum, MeadowWood, Millcreek Arkansas, Millcreek of Magee, Mirror Lake Recovery Ctr, Montecatini, Montrose Behavioral Health (Adult), Montrose Behavioral Health (Children's), Mount Carmel, Mount Regis, North Port, North Tampa Hospital, Oasis, Ohio Hospital for Psychiatry, Options, Pacific Grove Hospital, Park Royal, Pocono Mountain Recovery, Pontotoc, Rebound, Red River, Refuge, Resource, Rio Vista BH, River Place, Riverview, Riverwoods, Rolling Hills, Sabal Palms, San Jose, San Juan Capestrano, Serenity Knolls, Seven Hills, Shorewood, Sierra Tucson, Signature Psychiatric(closed), Sonora, Southcoast, Southstone Recovery Center(closed), Southwood, Starlite, StoneCrest Center, Structure House, Torrance, Tower Behavioral Health, Trustpoint Hospital, Turning Point, Twelve Oaks, Valley, Vantage Point, Vermilion, Village, WDR-Allenwood, WDR-Lancaster, WDR-Lebanon, WDR-Lehigh, WDR-Mt. Zion, WDR-York, Wellness Resource, West Pines Behavioral Health, Wilmington, Yellow Rock Behavioral Health, Youth Care