RBMA Accounts Receivable Standard Definitions

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This information is provided to Radiology Business Management Association (RBMA) members for informational purposes. Please check with your legal and/or economic advisors for specific advice and application.

I. CHARGES

Gross Charges–The full dollar amount of all services rendered to patients.

RBMA recommends recording Gross Charges using a consistent rate for each service. In instances where the organization has agreed to accept a lesser amount (e.g., Medicare rate, amount paid under a contract, etc.) the difference between the lesser amount and the billed rate is recorded as an Adjustment. For entities that do choose to record charges at different rates when billing to different payors, caution is urged when comparing against survey results or against other organizations that utilize a consistent rate schedule.

II. CHARGE OFFSETS

There are two different CATEGORIES of offsets against Gross Charges; specifically there are (1) Adjustments and (2) Write-Offs.

(1) **Adjustments–**Amounts which are never expected to be collected, by virtue of laws, regulations, contracts or internal policies applicable to the services provided by the entity.

a. **Insurer Contractual Adjustment:** The difference between the Gross Charge and the amount paid under terms of a contract covering the patient. Examples include the amount in excess of the Medicare "allowed amount," any amounts in excess of the Medicaid allowance, or the difference represented in a discount to a PPO or HMO.

i. **Medical Necessity Adjustment:** This is a subsidiary form of Contractual Adjustment and should be used when you have agreed to a third party contract allowing the third party to define medical necessity.

ii. **No Pre-Certification Adjustment:** This is a subsidiary form of Contractual Adjustment and should be used when you have agreed not to seek payment in instances when services are not pre-approved, as required in a third party contract requiring pre-certification of specific exams.

iii. **Bundling Adjustment:** This is a subsidiary form of Contractual Adjustment and should be used when you have agreed to a third party contract allowing the third party to define bundling of certain procedure codes.

iv. **Capitation Adjustment:** This is a subsidiary form of Contractual Adjustment and should be used when you have agreed to a third party contract that provides capitation payments for services rendered to a patient. The difference between what would have been the Gross Charges had these services been billed on a fee-for-service basis, and the capitated payment received, is the adjustment amount.

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v. **Reasonable and Customary Adjustment:** This is a subsidiary form of Contractual Adjustment and should be used when you have agreed to a third party contract that limits charges to reasonable and customary rates for services rendered. The difference between the entity's normal Gross Charges for all services and the amount allowed is the adjustment amount.

b. **Charity Adjustment:** The difference between the Gross Charge and the amount (if any) that will be received for services to patients provided under a prospective charity arrangement. These would not be classified as a Write-Off because the charity status is **known at the time of service**. An example is when the radiology organization provides a service to the community, e.g., a "free clinic" for children. These accounts are also often credited pursuant to a contract or understanding with the hospital and/or policy of the radiology organization.

c. **Self Pay Discount Adjustment:** These amounts are credited pursuant to a policy regarding prompt payment of an account.

d. **Third Party Contractual Adjustment:** The difference between the Gross Charge and the amount paid under terms of a contract with a third party for services. An example is an agreement with a hospital for discounted wellness services to its employees.

e. **Administrative Adjustment:** The difference between the Gross Charge and the amount paid in accordance with the entity's administrative policy.

(2) **Write-Offs:** Amounts that are expected to be collected, but the organization was unsuccessful in collecting.

a. **Bad-Debt Write-Offs**: The difference between the Gross Charge and the amount collected from a patient where the difference is not covered by any other Adjustment or Write-Off. For example accounts assigned to a collection agency for collection are Bad-Debt Write-Offs. Any amounts received as a result of the work of a collection agent are included in the Gross Collections and are not netted against this Write-Off amount.

b. **Bankruptcy Write-Offs:** The difference between the Gross Charge and the amount collected (if any) from a patient or third party, who has been adjudicated bankrupt.

c. **Non-Covered Service Write-Off:** The difference between the Gross Charge and the amount collected (if any) from a patient receiving a service not covered by their insurer.

d. **Timely Filing Write-Off:** The amounts credited due to a failure to file a claim within a specified time period for filing.

e. **Small Balance Write-Off:** The amounts credited or debited because they fall below a threshold value for collection efforts.

f. **Return Mail Write-Off:** The amounts credited due to a failure to locate the party responsible for payment. An example is patient statements that are returned with bad addresses.

g. **Estate or Deceased Write-Off:** The difference between the Gross Charge and the amount collected (if any) from the survivors, or from the estate, of a deceased patient.

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III. COLLECTIONS

Gross Collections–Revenue collected from Gross Charges.

(1) This includes:
   a. Payments from patients
   b. Payments from insurance companies
   c. Payments from governmental payors
   d. Withholds returned to the entity as part of a risk sharing arrangement
   e. Bonuses and incentives paid to the organization for good performance
   f. Collection agency payments
   g. Group bill payments

(2) This does not include:
   a. Stipends
   b. Medical director fees
   c. Revenue from billing services or administrative services to other entities

IV. COLLECTION OFFSETS

There are two categories of Collection Offsets: Refunds and Returned Checks.

(1) Refunds are any repayment of Gross Collections where the funds were collected in error.

(2) Returned Checks are Gross Collections paid by negotiable instrument, where the negotiable instrument was not honored upon presentation to the entity's depository institution.

V. BILLING/COLLECTION EXPENSE

All costs identified as incurred in the process of collecting, recording and transmitting charge information, plus the costs of collecting, posting and depositing payments for these services. Bank lockbox fees, credit card fees, and fees paid to mailing services and to collection agencies are included here.

VI. PROCEDURES

Total Professional Component, Technical Component or Global CPT®/HCPCS codes billed during the reporting year. Counts of the following commonly billed items are not included:
   a. Contrast media
   b. Radiopharmaceuticals
   c. Computer evaluation of images (e.g., CAD review of mammograms)
   d. Other similar codes used for supplies and technical services that are tangential to providing the ordered services

VII. UNPAID CLAIMS

Gross Charges submitted to a third party payor (e.g., Medicare, HMO, commercial insurer) that are not paid upon initial submission.