

Healthcare Providers – Considerations for Revenue Recognition

REVENUE RECOGNITION: ART MEETS SCIENCE

In normal times, revenue recognition for healthcare providers can be a mix of art and science. The early focus of the impacts of COVID-19 has rightly been on providing patient care and maintaining and/or accessing liquidity to operate the business.



- Data such as procedure mix, payor mix and historical collection rates as key drivers
- Key drivers in flux, particularly collectability

REVENUE CYCLE MANAGEMENT (RCM)

- Update charge masters, contract databases, and billing software for new COVID-19 and telemedicine billing codes
- Payer coordination
- Focus resources on coding, closing of encounters and resolving billing edits to accelerate billing process
- Designate specific teams to focus on COVID-19 follow-up and denials management
- Develop communication channels and backups for outsourced RCM functions



OPERATIONAL SHIFTS

- Coordinate closely with RCM to analyze and mine billing and collections information as it becomes available
- Analyze trends in key performance indicators
- Factor results in revenue estimates for billed and unbilled services

REVENUE AND ACCOUNTS RECEIVABLE

- Historical “look back” analyses will not be applicable for COVID-19 care
- Monitor collections on a daily/weekly basis to identify collection issues real-time
- Consider increasing reserve specific to self-pay/patient after insurance balances to account for market factors impacting patient ability to pay (furloughs, pay cuts, terminations)
- While Medicare has announced certain telemedicine coverages, commercial payers and Medicaid reimbursement positions vary; consider additional reserves on these balances until experience clarifies
- Consider in-process bundled/episodic care impacts
- Separate consideration for revenue generated through joint-ventures and partnerships, based on the financial status of those providers
- Consider the treatment of donated goods and services

REPORTING TIMELINES

- The U.S. Securities and Exchange Commission announced that companies can seek a 45-day extension for filings due between March 1 and July 1
- Additionally, many lenders and shareholder groups are providing 30-60 day extensions on normal reporting requirements



WHAT'S NEXT

- Update contracts, databases, billing codes
- Designate COVID-19 Teams
- Develop communications channels
- Utilize data, analyze trends to adjust forecasts



CONCLUSION

Questions abound regarding how to account for healthcare revenue recognition in the COVID-19 era. **It will be critical for those reporting financial results to provide an accurate depiction of how the treatment of COVID-19 patients has impacted their financial condition, starting with top-line revenue.** Shareholders, lenders and other third-party agencies will rely on this information in decision making. Healthcare organizations will need to take a fresh look at their historical policies and practices and adjust them as needed to reflect new market conditions.

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