



HEALTHCARE CASE STUDY

TransUnion Batch Review: Sample

TransUnion Healthcare evaluated a full file of bad debt subjects from a U.S. Health System. The purpose was to financially assess bad debt subjects, validate their status, re-classify certain subjects to charity, and generally comply with annual IRS 990 schedule H requirements. To accomplish this, TransUnion Healthcare used its patented technology, delivered through the Revenue Manager Interview Wizard platform, to return value-added characteristics. These characteristics included the following: estimated minimum household income, estimated family size, estimated FPL%, red flag warnings and propensity-to-pay scores. The result was a comprehensive end-of-year snapshot of the entire bad debt population.

Highlights of the study revealed:

- 86% of all subjects were potential charity candidates
- 14% of all subjects were collectable and potential charity candidates
- 23% of all subjects had strong or some ability to pay
- 8% of all subjects had strong propensity to pay

Background and population

TransUnion Healthcare processed the bad debt data file using its Revenue Manager platform, which performed a comprehensive, patient-level financial and demographic assessment, checking multiple database sources and applying its proprietary algorithms.

The patient population included more than 60,000 self-pay, bad debt account records, which represented a snapshot of all bad debt for that year. This uncompensated care population was chosen to validate and potentially reclassify accounts from bad debt to charity care.

Population categorization results

By analyzing the entire population in various categories or views, Revenue Manager enabled the provider to determine the best course of action. The categories analyzed include:

- Financial aid status
- Collection status
- Credit scores breakdown
- Correctness status and red flag warnings

Results by category

Financial aid status: This view segments the patient population by charity care status and FPL% based on HHS standard guidelines, the client's charity guidelines and the Revenue Manager-generated estimated minimum household income and estimated family size.

CATEGORY	SAMPLE %	CATEGORY DESCRIPTION
Meets charity guidelines	86%	The patient has lower estimated income in combination with estimated family size to fall under client's charity guidelines.
Question household income	13%	The patient has enough available credit to pay charges in full; however, still falling under client's charity guidelines.
Collectable	1%	The patient likely exceeds client's charity guidelines.

Collection status: This view segments the patient population by examining each patient's available financial resources, resulting in a status that indicates their collectability as it relates to credit capacity and/or income.

CATEGORY	SAMPLE %	CATEGORY DESCRIPTION
Strong ability to pay	9%	The patient has either considerable financial resources available or some ability to pay, based on known predictive attributes (such as property ownership, estimated minimum household income, etc.).
Some ability to pay/ active mortgage	14%	The patient has financial resources available or some ability to pay based on known predictive attributes (such as property ownership, estimated minimum household income, etc.).
Low/no ability to pay	77%	The patient has very limited financial resources available or no ability to pay (such as low estimated minimum household income, no property ownership, etc.).

Credit scores breakdown: This view segments the patient population by their credit score. For the purpose of this bad debt review, TransUnion used the most predictive new account score in healthcare. A higher score indicates a higher propensity to pay. The score range is 150–950.

CATEGORY	SAMPLE %*	ODDS OF PAYMENT IN FULL WITHIN 90 DAYS**
721 and above	6%	7.4 out of 10
681–720	3%	5.6 out of 10
621–680	6%	4.2 out of 10
500–620	25%	2.0 out of 10
499 and below	37%	0.5 out of 10

* 23% unscored since minimum scoring criteria was not met or credit file was not found.

** Based on an actual health system score analysis.

Results by category, continued

Correctness status and Red Flag warnings: This view provides a tiered look of the patient population as it relates to correctness status and Red Flag warnings. This information is useful for preventing and detecting fraud and generally maximizing identity management at the time of service or earlier.

CATEGORY	SAMPLE %	SUGGESTED ACTION FOR STAFF
Accurate	60%	Demographics validated, input vs. output validated, no investigative warning found.
Investigate warnings	38%	Red flag warning found, input or output SSN, name and/or address may not be valid.
No credit found	2%	Not able to locate file.

WARNING DETAIL	
5%	Input/file SSN used in a death benefits claim no investigative warning found.
2%	Address is reported used in true-name fraud or credit fraud.
6%	SSN does not match file.
14%	Surname does not match file.
56%	Current input address does not match file.
17%	Other

Summary and recommendations

This TransUnion Healthcare batch review highlights areas where the provider can realize a significant benefit to its charity determination, cash collection and Red Flags prevention strategies. By segmenting and identifying this population early, the provider has the opportunity to empirically validate charity candidates, increase patient compliance with completing program applications, adhere to IRS 990, reduce bad debt, increase cash collections and leverage a robust Red Flags management solution—all in real time. Revenue Manager can help manage the patient revenue cycle from

inception to account disposition, streamlining and expediting its processes and best practices.

Based on this batch review, TransUnion Healthcare helped identify 86% of patients with some level of charity potential. Another 13% indicated some level of charity potential, but also had financial resources to pay their balances in full. Finally, looking at capacity and propensity to pay, 23% of patient subjects had some or strong ability to pay, while 8% overall had very high propensity to pay (680+ credit score).

Benefit: Based on the results of this study alone, if the provider implemented Revenue Manager and incorporated charity care and bad debt separation into its process, it could identify more than \$66,000,000 as potential charity at account inception to be reclassified from bad debt to charity.

Additionally, a modest increase in cash collections could easily yield more than \$850,000. (This is a very conservative estimate since approximately \$4,500,000 in total account balance* had a

strong propensity to pay.) Overall, 23% had either strong or some ability to pay, representing nearly \$20,000,000 in cash collection potential.

Added value, above and beyond charity determination and cash collection potential, includes: IRS 990 and Red Flags compliance, reduced bad debt with decreased A/R days, enhanced resource allocation, increased and faster reimbursements, outside agency cost reduction, decreased return mail and increased patient satisfaction.

* Based on average account balance and bad debt results.

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