



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 19-808

Board Meeting Date: 8/6/2019

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise F. Rogers, Chief, San Mateo County Health
Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Agreement with Rash Curtis and Associates for Self-Pay Patient Bad Debt Account Collections

RECOMMENDATION:

Adopt a resolution authorizing an agreement with Rash Curtis and Associates for self-pay patient bad debt account services for the term of August 1, 2019 through July 31, 2022, in an amount not to exceed \$750,000.

BACKGROUND:

San Mateo Medical Center (SMMC) provides medical services to the County's safety net population and many of those services are supported by state and federal funding sources. However, some patients do not have insurance, or they have insurance which may require co-payments or deductibles. SMMC's Patient Financial Services department (PFS) follows up with patients on their outstanding balances, also known as "self-pay" accounts, for approximately 120 days. The Health Coverage Unit works with patients to explore access to SMMC's various financial assistance programs to help them with their hospital bills. Such efforts include assistance with enrolling in health coverage, discounting bills for the self-insured, and creating payment plans for patient's co-pays and deductibles. SMMC works hard to prevent the cost of care from being a barrier to receiving care. Accordingly, SMMC has a policy that prohibits the practice known as "balance billing", which applies to balances not covered by insurance companies (beyond a patient's responsibility for copayments, coinsurance and deductibles).

After 120 days, PFS follows up with a self-pay account. All accounts that have not been enrolled in any financial assistance programs or have not obtained insurance coverage are reclassified as a bad debt account and transferred to the County's Revenue Services for follow up.

DISCUSSION:

Approximately 15 months ago, Revenue Services engaged a consultant to review operations and make program improvement recommendations. After receiving the consultant's report, Revenue

Services met with all their clients, including SMMC, to review client needs and future plans. At that meeting, SMMC indicated that they were revisiting their entire approach to collections to improve both client service and ideally increase collections. SMMC decided that there would be efficiencies and potential additional revenue if SMMC took complete responsibility for all self-pay hospital collections.

SMMC's initiative to improve self-pay collections relies on a two-pronged strategy of early-out patient services and bad debt collections. In May 2019, SMMC completed a Request for Proposals for vendors to provide early-out patient services and bad debt collections. Rash Curtis and Associates (Rash Curtis) was chosen to provide bad debt collections due to its specialized experience in self-pay bad debt accounts, as well as its enhanced technology and analytic capabilities. CMRE Financial Services, Inc. was selected to provide early-out patient services; a contract with CMRE is being brought to your Board separately.

As patients become responsible for larger portions of their healthcare bills, it is imperative for hospitals to have a sophisticated collection program to manage these accounts. A standard best practice in the hospital industry is to contract with vendors that invest in technology, staff training, and process effectiveness. It is equally important that a collection services vendor treats patients with respect, provides high levels of customer service, and complies with federal, state, and local regulations. Rash Curtis has served as Revenue Service's third-party bad debt collection service for a number of years and understands the County's clients and systems.

The agreement and resolution have been reviewed and approved by County Counsel as to form. This agreement is coming to your Board late due to prolonged negotiations.

The resolution contains the County's standard provisions allowing amendment of the County fiscal obligations by a maximum of \$25,000 (in aggregate).

The Information Services Department has reviewed and approved the IT component of this agreement.

The agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing additional financial resources to support the provision of patient care. It is anticipated that Rash Curtis will increase cash collections by 10% over SMMC's annual average.

PERFORMANCE MEASURE:

Measure	FY 2018-19 Actual	FY 2019-20 Projected
Percentage increase of cash collections over SMMC's annual average	N/A*	10%

*New measure

FISCAL IMPACT:

The term of the agreement is August 1, 2019 through July 31, 2022. Rash Curtis will be paid on a contingency fee basis only when additional cash collections have been received on self-pay accounts. The contingency fee amount of the agreement is not to exceed \$750,000 for the three-year-term. Funds payable to Rash Curtis in the amount of \$250,000 are included the SMMC FY 2019-20 Recommended Budget. Similar arrangements will be made for future years.

The anticipated amount of revenue that SMMC will receive through Rash Curtis bad debt cash collections is approximately \$1,856,000 on an annual basis. This is a 10% increase over Revenue Service's FY 2017-18 collections on SMMC's behalf, adjusted for reductions to bad debt referrals. Revenue in the amount of \$1,856,000 is included in the SMMC FY 2019-20 Recommended Budget. Similar arrangements will be made for future years.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care is covered by the County's General Fund contribution to SMMC and is within the existing annual appropriation.

ATTACHMENT:

RFP Matrix