

ALAN G. HEVESI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

February 14, 2003

Benjamin K. Chu, MD, MPH  
President  
New York City Health and Hospitals Corporation  
125 Worth Street  
New York, NY 10013

Re: Report 2002-F-31

Dear Dr. Chu:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, Article II, Section 8 of the State Finance Law and Article III of the General Municipal Law, we have reviewed the actions taken by officials of the New York City Health and Hospitals Corporation as of December 6, 2002, to implement the recommendations contained in our audit report, *Collection Practices for Inpatient Bills* (Report 2000-N-1). Our report, which was issued March 30, 2001, examined whether improvements could be made in hospital collection practices that would result in greater collections of inpatient revenue.

**Background**

New York City Health and Hospitals Corporation (HHC) operates New York City's municipal hospital system, which includes 11 acute care hospitals as well as other healthcare facilities. The inpatient billing and collection practices of HHC's acute care hospitals are overseen by the HHC Central Office. After a bill is issued, each patient account is monitored by the specific hospital's Patient Accounts Department. If payment cannot be obtained within a reasonable amount of time (generally 120 days), the account is to be classified as uncollectible and is generally referred to a private collection agency. If the account is found to be uncollectible before 120 days have passed, it may be referred to a collection agency as soon as it is determined to be uncollectible.

According to HHC guidelines, hospitals should ensure that all reasonable efforts to collect bills have been made before accounts are referred to a collection agency. In addition, once an account is determined to be uncollectible by a hospital's Patient Accounts Department, it should be transferred promptly to the appropriate collection agency.

## **Summary Conclusions**

In our prior report, we reviewed collection practices at three HHC hospitals: the Harlem Hospital Center, the Jacobi Medical Center and the Kings County Hospital Center. We selected these hospitals because statistics showed that two of them (Harlem and Kings County) had high percentages of their inpatient bills collected by collection agencies, while one (Jacobi) had among the lowest percentages of inpatient bills collected by collection agencies. We found that many of the unpaid bills the hospitals referred to collection agencies could have been collected by the hospitals instead. If improvements were made in hospital collection practices, payments on unpaid bills would have been received in a more timely fashion, collection agency fees would have been reduced and net revenues to the hospitals would have been increased.

The scope of our follow-up review focused on the collection practices of the three hospitals we reviewed during the prior audit and did not include collection practices of any other HHC facilities. Consequently, the implementation status of our prior audit recommendations relates only to the three hospitals reviewed previously. In our follow-up review, we determined that the three hospitals have implemented the two prior audit recommendations. We found that officials of the three hospitals had developed policies and procedures for improving the effectiveness of Patient Accounts Departments in collecting unpaid bills for inpatient services. We also noted improvements in the timeliness of referring patient accounts to collection agencies once they were determined to be uncollectible.

## **Summary of Status of Prior Audit Recommendations**

Officials at the Harlem Hospital Center, the Jacobi Medical Center and the Kings County Hospital Center have implemented both of the prior audit recommendations.

## **Follow-up Observations**

### **Recommendation 1**

*Develop an action plan for improving the effectiveness of Patient Accounts Departments in collecting on unpaid bills for inpatient services. As part of this plan, ensure that the Departments adequately follow up on unpaid bills, and routinely review the files submitted by collection agencies to identify effective collection practices.*

Status – Implemented

Agency Action – We found that officials of the three hospitals revised hospital policies and procedures to address the collection of unpaid bills for inpatient services. The revisions identified methodologies for review of accounts, designated individuals responsible for identifying and following up on problem cases, and created a mechanism for review of the effectiveness of collection efforts made by Patient Accounts Department staff. The revised policies and procedures also address the routine review of files submitted by the collection agencies. Additionally, the hospitals have taken steps to foster communication among staff members who review each account's status.

**Recommendation 2**

*Transfer accounts to the appropriate collection agency as soon as possible after they are classified as uncollectible.*

Status – Implemented

Agency Action – Based on our review of computer printouts provided by the three hospitals of all accounts that were deemed uncollectible during July and September 2002 and were subsequently transferred to collection agencies, we found that the three hospitals improved the timeliness of referral of uncollectible accounts to collection agencies once they were classified as uncollectible.

Major contributors to this report were Stuart Dolgon, Charles Johnson and Adrian Wiseman.

We thank HHC and hospital management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune  
Audit Director

cc: Alex Scoufaras