

# COMPLIANCE TODAY

MAGAZINE

JANUARY 2019



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# PAYMENT COLLECTION CONTROLS

by Darryl Rhames



## Darryl Rhames

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**P**ayment collections are the beginning of the revenue cycle. Some may view this as a no brainer or immaterial subject matter. However, have you ever taken a look at your total cash, credit card, and check collections? Have you compared that monetary value versus how much you bill out, due to not collecting co-pays or not being set up to collect payments when patients can pay right now?

What if you went to a grocery store and they told you, “Don’t worry about paying for the groceries at this time; we’ll bill you for them.” What percentage of people would take the goods and make sure they settle the bill later? No way are grocery stores doing that! They want their money as soon as you are ready to check out. They ensure they collect money on every transaction. Why shouldn’t you do the same at your facility or at least be set up to do the same? Could you imagine what collecting on every transaction

would mean for your company? Think of what processes you could improve, the investments you could make, the repair or renovations you could complete, the impact to patient care, etc.

Now are payment collections starting to become more important to you? Well, in healthcare, cash is still very relevant as a payment method. Yeah, I know. Cash...really...that is a dying tender. Is that a true statement? Not at all. It depends on where you are that determines how widely cash is used as a major form of tender. Credit or debit card usage normally surpasses cash, but does that mean you shouldn’t accept cash? Of course not. I have never heard of a service fee for accepting cash. MasterCard, Visa, American Express, and Discover don’t get a cut of a cash payment. Ironically, it costs less to accept cash. So, it was decided to accommodate all forms of payment at every hospital campus and clinic.

## Reflecting back on payment collection

More than 100 years ago, services were being provided to patients in hospitals, and patients were paying for their care. Over the course of history, hospitals developed:

- ◆ Cashier offices to accept multi-tender payments
- ◆ Patient service cashiers to register patients and collect copays
- ◆ Retail service cashiers to handle food or gift purchases for patients and their visitors

Outside of cash, credit card, and checks, hospitals set up payroll deduction options for employees to ensure funds were collected immediately for cafeteria food or hospital services.

It sounds like all areas can collect; however, where there are collections, there are also chances of loss.

### What do I mean? Fraud, theft, abuse, and waste

There is a saying: If you can't protect it, don't collect it!

Once it was decided to accept multiple forms of payment (e.g., cash, check, credit cards) across all clinics, a need to protect the collections arose. What would be done to regulate payment collections and ensure proper internal controls were in place to reduce loss or fraudulent activity? A committee was formed by the efforts of the departments of Auditing and Compliance. The committee consisted of key personnel, such as vice presidents, directors, and managers, from both the patient services (clinics/hospital) and the retail service areas (cafeteria, patient trays, gift shop) to come up with rules and regulations for payment collections. During these committee

meetings, basic competencies were developed, outlining what cashiers needed to know and what procedures should be in place to ensure all collection operations ran appropriately. A payment collections handbook was developed for all cashiers to abide by. A discipline grid was also developed to guide managers on what consequences were warranted for procedural errors, incomplete reconciliations documentation, and overages and shortages.

As time passed, this handbook was updated to remain relevant as the collection avenues increased. As a part of the compliance program, mandatory training was developed to certify all employees whose jobs included payment collection. Surprise cash audits were being conducted to review cashier activity, and surveillance cameras were installed to capture payment activities. Additionally, incentive pay was established for people collecting payments on the patient side.

### Standardization for collecting payments

Now that you have the background or reasons behind establishing policies and procedures around payment collections, here are the phases or objectives used to begin establishing standardization for payment collections.

#### Phase 1

The first phase encompassed capturing financial information, including the identification of all collection points and a review of the pros and cons to make the collection more successful. For example, at the front-end (e.g., admissions, registration, mobile units, and pharmacy) are areas

where patient services cashiers are placed in clinics. Usually these positions are called upon to ensure the accuracy of the patients' demographic information, personal identity information, and to collect payments. Although traditionally the least paid positions, the accuracy of patient data and collection of co-payments starts with them. Phase 1 also involves setting up internal controls to ensure the accuracy and reliability of captured financial information, including patient payments from satellite clinics/hospital services, and retail sales for nutritional services.

## Once it was decided to accept multiple forms of payment (e.g., cash, check, credit cards) across all clinics, a need to protect the collections arose.

Comparably, on the retail side, the retail service cashiers are stationed at point-of-sale registers, and are lower paid positions; however, the accuracy of merchandise sales and collection of payments (purchases) starts with them.

#### Phase 2

Once the collection points were identified, next was to establish procedures to establish accountability and provide the tools and safeguards

to protect the systems monetary collections or assets. This involves implementing physical and system controls to safeguard assets, such as setting up a payment collection point for clinical front desk operations and retail cashier locations (e.g., cafeteria and gift shop).

**Phase 3**

The adoption of meaningful training for registration clerks and cashiers, including:

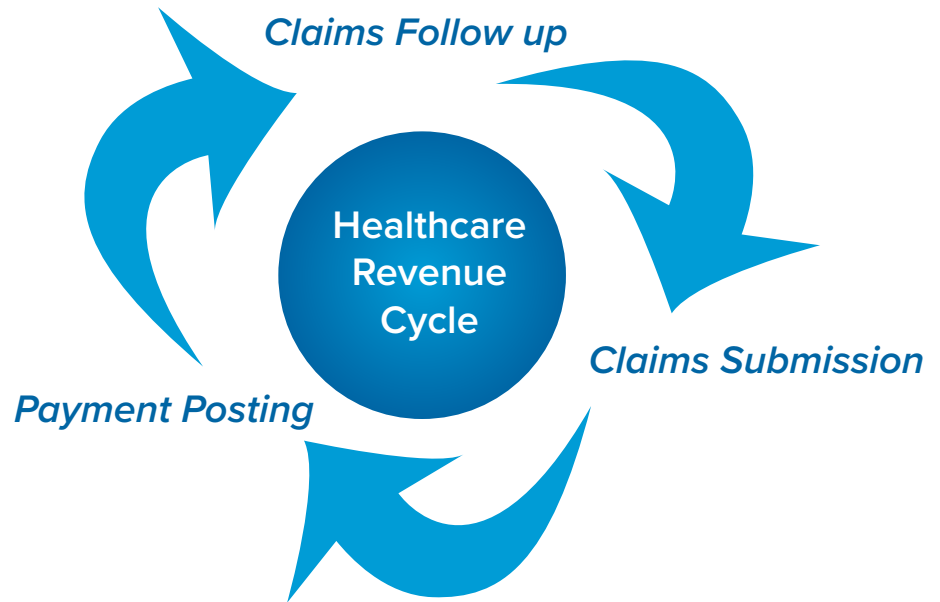
- ◆ Mandatory training programs to educate employees;
- ◆ Deciding which departments should be involved in the training of personnel responsible for payment collections;
- ◆ Development of policies and procedures, payment manuals, or guides;
- ◆ Standardized disciplinary actions for overage and shortages of funds; and
- ◆ Development of payment collection tool kits.

**Phase 4**

Next came the development of practical suggestions to detect and prevent fraud in a payment/cash collection environment (e.g., front desk operations and admissions), including retail operations (e.g., cafeteria and gift shop) and the cashier’s office, and detection tools for counterfeit money.

**The training program**

To begin the second phase, a collection walk-through process was established along with revamping the mandatory training program for the retail cashiers and clinical front desk personnel. For the mandatory training class, the staff must pass an online exam. The cashier was required to obtain a payment collection certificate as a



prerequisite to collecting payments.

The training class covers:

- ◆ Managing, securing, posting, reconciling, balancing, and depositing collections;
- ◆ Authentication of cash ([www.newmoney.gov](http://www.newmoney.gov) or [www.uscurrency.gov](http://www.uscurrency.gov));
- ◆ Identifying fraudulent checks and meal vouchers;
- ◆ Processing and recording refunds (e.g., co-pays, “no service” slips). The cashier can return a check, refund cash, or refund the credit card if the patient did not receive services. In order to process a refund, the cashier must obtain a completed no service slip from the patient’s healthcare provider.
- ◆ Voids, “no sale” key usage, deleting transactions, management oversight; and
- ◆ Out-of-balance procedures and consequences.

At first, this training was only a part of the compliance training program, where the training was requested and then provided. To

encompass the entire organization on a standard routine for payment collections training, a company-wide training was being provided for all front-desk personnel on a standard monthly schedule. Because this was already in place, the system would incorporate collections setup and training orientations with clinical front-desk training led by instructors from Information Technology (IT), Admissions, Billing, and me from Integrity Services. We trained on the payment systems and explained how the cashiers initiate the revenue cycle and ensure accuracy, from payment collections to payment posting.

**Walk-through process**

The next part of the second phase was establishing collection setup walk-throughs prior to approving an area to collect payments. To establish the walk-through process, I considered the questions below and started the process:

- ◆ Cashiers and front desk personnel are trained, but what

did we need to review about the clinic or cafeteria they work in regarding payment collection?

Questionnaires were developed to assess what was needed to secure collections and prevent theft/fraud. The questionnaires asked questions regarding:

- ◆ Cameras/surveillance
- ◆ Electronic badge readers
- ◆ Safe installation/location
- ◆ Lock boxes
- ◆ Locked draws and doors
- ◆ Separation of duties throughout the collection and reconciliation process
- ◆ How much cash was kept on hand
- ◆ Who was the custodian of the cash
- ◆ Was an armored truck pickup or secured escorts needed for making deposits or getting change
- ◆ Renovations or new construction needed for patient and staff safety
- ◆ What was needed to accept multiple forms of payment (e.g., credit cards, checks, cash, online)

Additionally, if possible, involvement during construction was preferred. During these walk-throughs, our police department, IT, and Financial Accounting were involved, so all concerns could be voiced. In conjunction with these areas, once a walk-through was completed, I drafted a summary on behalf of the Compliance department and sent the correspondence to the vice president and director of the area. The summary included recommendations for payment collections and the cost associated with becoming compliant.

These walk-throughs also helped to assess and set up controls that enabled the areas to safeguard their

## ...consistent consequences for procedural errors and over/short variances help deter rule infractions. The offender ponders whether the act is worth the consequence.

funds and prevent, deter, and detect both errors and fraud. Implementing the recommendations would help to ensure receipts and disbursements are appropriately received and accounted for.

During the walk-throughs, I aimed to identify key controls over cash handling with the following questions:

- ◆ **Are proper separation of duties and verification of collections** (e.g., random audits, checking for accuracy) **present?** Separation of duties ensures an appropriate division of responsibilities that serves as a cross-check for cash handling duties and enhances the chance of detection, because more than one person is involved in the process.
- ◆ **Are collections being verified?** Verification or reconciliation involves ensuring what was recorded was actually received. This is the review process for accurate collections.
- ◆ **Is there a consequence for violation of collection policy?** Implementation of consistent consequences for procedural errors and over/short variances help deter rule infractions. The offender ponders whether the act is worth the consequence.
- ◆ **Does the video surveillance work or is it just a decoy?** Review video surveillance

of collection areas randomly, and make sure staff knows the cameras are recording. Offenders tend to be more conscious of their actions when they know people are watching the cameras.

### Manuals and toolkits

To further assist staff with this training initiative, the manuals and toolkits developed were placed on our department's website. The content included:


- ◆ **Online handbooks for patient and retail cashiers** that contained the requirements for the certified cashier designation and competencies. Every cashier was made aware that they were responsible for knowing the information in the handbooks to maintain their designations.
- ◆ **Calendars** that listed training dates to register online to attend training sessions.
- ◆ **Logs** to use for counting the safe, verifying, change funds, etc.
- ◆ **Lock box memos** that explained proper lock box protocol.
- ◆ **Surprise audit checklist** of what to look for.
- ◆ **Cash collection guidelines**, which contained the discipline grid of consequences for policy violations.
- ◆ **Education materials on authentication of U.S. currency** for detecting counterfeit currency.

The methods in which we collect payments are constantly evolving (e.g., mobile pay, online payment via credit card and bank accounts [Automated Clearing House or ACH], advanced credit card terminals) and these options must be considered and incorporated in the training as well. As a result of the training on payment collections and increasing the amount of cash collected, the standardization of the payment collection process was recommended to be a part of a 100-day-lean project. The components of the lean project include strategy alignment, visual management, standard work, continuous improvement problem solving, and leadership standard work exercises. This is an area that is supported heavily by senior leadership.

Based on the recent discussions, we will reboot

the training provided and add additional features to our website that are more robust and interactive in regard to:

- ◆ Outlining the entire process from payment approval walkthrough requests,
- ◆ New collection questionnaires,
- ◆ Updated training manuals,
- ◆ Revised policies and procedures, and
- ◆ Designated points of contact for payments collection walk-throughs (i.e., Compliance, Internal Audit, Law Enforcement, Information Technology, Financial Accounting, Facilities Management, and Maintenance)

Connect with me via the HCCA community if you have any questions about starting or revising your payment collections and payment protection program. 

- 
- ◆ Ensure accuracy and reliability of captured financial information.
  - ◆ Implement physical and system controls to safeguard assets.
  - ◆ Develop a company-wide training program.
  - ◆ Create audit tools, such as questionnaires, to monitor payment activity.
  - ◆ Use walk-throughs to help detect and prevent fraud.

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