

 HAWAII HEALTH SYSTEMS C O R P O R A T I O N <i>"Touching Lives Everyday"</i> Policy and Procedures	Department: Corporate Finance	Policy No.: FIN 0019
		Revision No.: NA
	Issued by: Kelley Roberson, COO/CFO	Effective Date: April 9, 2009
Subject: <i>Accounts Receivable Valuation</i>	Approved by: HHSC Corporate Board By: Raymond Ono Its: Secretary/Treasurer	Supersedes Policy:
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- I. **Purpose:** To establish and define the policy and responsibilities of HHSC and HHSC Regional System Boards of Directors relating to the valuation of accounts receivable (AR) for all services provided by facilities of the regions.
- II. **Policy:** In order to provide operational consistency and transparency of HHSC facilities for auditing, and financial reporting of gross and net accounts receivable in accordance with industry standards and standards of HHSC.. Any regional System Board of Directors is authorized to establish policies and procedures for the region that are in compliance with this policy and the accounts receivable valuation standards set by the HHSC Corporate Board of Directors in coordination with the regions.
- III. **Valuation Standards:** The system shall establish standards and procedures for recording and valuation of accounts receivable. Standards and procedures shall be established and maintained in coordination with the regional CEOs and the Regional Systems Boards of Directors.
 - A. **Corporate Office Services.** Effective FY 2008, HHSC Corporate office has developed and implemented a system wide automated accounts receivable valuation module. . The model values the accounts in McKesson Series billing system to net down AR for the monthly financial reporting. The reimbursement percentage of the previous 12 month discharged accounts are used to determine allowance for contractual adjustments. The allowance for bad debt is determined using a fixed percentage applied to the net AR by aging category. Long Term Care net AR is calculated using year to date payment to payment and adjustment reimbursement percentage. For AR outside of the McKesson Series including physician services, adult day health, home health services, etc., respective facility will adjust Gross AR to Net AR based on supporting documentation.
 - B. **Regional Valuation of Accounts Receivable.** Regions may record adjustments to the results of the HHSC Standard accounts receivable

valuation template with the prior approval of the Corporate Controller. Corporate office staff will assist with training, supporting, or reviewing work of regional staff, as requested by the region/s. Each Regional System Board and the corporate office shall establish accounts receivable valuation procedures which can be updated by the individual region and the corporate office without requirement for action by the Policy Committee or the HHSC Corporate Board of Directors, as long as procedures are consistent with system policy, industry standards and do not result in a material misstatement of a facility's financial statements.

- C. **General Ledger Accounts.** General ledger accounts and definitions as specified in the HHSC Accounting Manual shall be utilized to assure consistent recording and reporting.
- D. **Allowance Accounts.** The allowance for contractual adjustments and allowance for doubtful accounts shall be offset against the gross accounts receivable to reflect the net collectible valuation of receivables.
- E. **Internal Controls.** The HHSC President & CEO, in coordination with Regional CEOs, will establish minimum procedures to provide adequate internal control and to assure accounts reflect net realizable receivables, in accordance with GAP 200.035, Accounts Receivable Control Procedures, or other applicable industry standard/s.

IV. **APPLICABILITY: All HHSC regions and facilities**

- V. **REFERENCE: HRS Chapter 323F, GAP 200.035, Accounts Receivable Control Procedures.**