ARTICLE

Revenue Recognition Considerations for Healthcare Providers in the Age of COVID-19

In normal times, revenue recognition for healthcare providers can be a mix of art and science. The early focus of the impacts of COVID-19 has rightly been on providing patient care and maintaining and/or accessing liquidity to operate the business.

The U.S. Securities and Exchange Commission announced that companies can seek a ***45-day extension for filings due between March 1 and July 1****. Additionally, many lenders and shareholder groups are providing* **30-60 day extensions** *on normal reporting requirements.*

For healthcare accountants and CFOs, the next question may turn to "How do I recognize revenue in this environment?" In the normal course, providers utilize data such as procedure mix, payor mix and historical collection rates as key drivers. But all these key drivers may currently be in flux, particularly collectability.

Some relief has been granted on reporting timelines. The U.S. Securities and Exchange Commission announced that companies can seek a 45-day extension for filings due between March 1 and July 1, 2020[1]. Additionally, many lenders and shareholder groups are providing 30- to 60-day extensions on normal reporting requirements.

There are various considerations that healthcare accounting and reporting teams should be analyzing and monitoring in order to prepare for these delayed reporting requirements.

1. https://www.sec.gov/news/press-release/2020-73

TOPIC	EXAMPLE CHANGES / IMPACTS	RESPONSE
Revenue Cycle Management (RCM)	• New COVID-19 CPT and ICD-10 billing codes • Managing remote internal billing and collections departments • Interruptions and closures of outsourced RCM providers • Implementation of new technologies to facilitate remote operations • Access to physicians and their office staff • Ability to obtain supporting documentation for medical files	• Update charge masters, contract databases, and billing software for new COVID and telemedicine billing codes • Payer coordination — Update contract and pricing databases to reflect payer-specific COVID reimbursement — Seek extension of pre-cert / authorization timelines and suspension of timely filing and appeal deadlines — Request Periodic Interim Payments (PIP) or cash advances on future claims as needed • Focus resources on coding, closing of encounters and resolving billing edits to accelerate billing process • Designate specific teams to focus on COVID-19 follow-up and denials management • Develop communication channels and backups for outsourced RCM functions
Operational Shifts	• Payer mix changes — Government, commercial and patient pays (co-pays, deductibles and non-insured) — In versus out-of-network payors • Procedure mix and volume changes — Deferral and/or loss of elective procedures — Productively of remote workforces • Length of stay/acuity	• Coordinate closely with RCM to analyze and mine billing and collections information as it becomes available • Analyze trends in key performance indicators • Factor results in revenue estimates for billed and unbilled services • Utilize data to adjust forecasts

TOPIC	EXAMPLE CHANGES / IMPACTS	RESPONSE
Revenue and Accounts Receivable	• CARES act funding and distribution • CMS changes for COVID-19 patients • Payor coverage and concessions vary by payor • Increases in unemployment and the uninsured population • A significant number of high-deductible plans and timing of COVID-19 outbreak; many insured patients will not have met deductibles • Payors may be slower to pay near term as they struggle to manage claims volume and changes in processing	• Historical "look back" analyses will not be applicable for COVID-19 care — Bifurcate Revenue and Accounts Receivable between COVID and Non-COVID — Incorporate the latest billing and collections information by payer, as well as trends in KPIs — Monitor coverage of the uninsured / under-insured via governmental programs • Monitor collections on a daily/weekly basis to identify collection issues real-time • Consider increasing reserve specific to self-pay / patient after insurance balances to account for market factors impacting patient ability to pay (furloughs, pay cuts, terminations) • While Medicare has announced certain telemedicine coverages, commercial payers and Medicaid reimbursement positions vary. Consider additional reserves on these balances until experience clarifies. • Consider in-process bundled / episodic care impacts • Separate consideration for revenue generated through joint-ventures and partnerships, based on the financial status of those providers • Consider the treatment of donated goods and services

Conclusion

Questions abound regarding how to account for healthcare revenue recognition in the COVID-19 era. It will be critical for those reporting financial results to provide an accurate depiction of how the treatment of COVID-19 patients has impacted their financial condition, starting with top-line revenue. Shareholders, lenders and other third-party agencies will rely on this information in decision-making. Healthcare organizations will need to take a fresh look at their historical policies and practices and adjust them as needed to reflect new market conditions.

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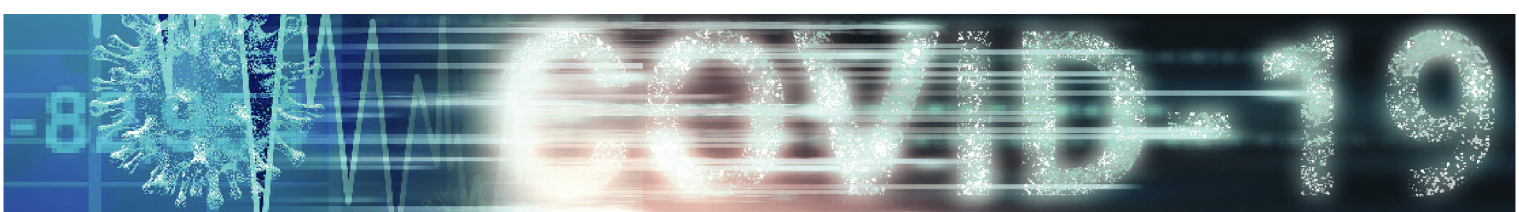

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