



**Summary of:
Independent Review of Willow Point
Bad Debt and Uncollectible Policies**

Timeline

- ▶ 2017 – last resolution writing off uncollectible receivables by Willow Point.
- ▶ 2020 – Annual Independent Audit
 - ▶ Audit requesting Willow Point to develop a formal write-off policy.
- ▶ Nov. 2021 – Bad-debt policy developed by Willow Point
- ▶ Nov. 2021 – Resolution submitted by Willow Point to write-off \$4,881,419.
 - ▶ This was noted by Audit & Control to be significantly less than the amount indicated in the county ledger.
- ▶ Dec. 2021 – The Executive contracts with Venesky & Company to review Willow Point's uncollectable policy and bad debt computation.
- ▶ May 5, 2022 – Final report received

Accounting Review – Life of a Receivable

Current	Appears as revenue on the income statement and an asset on the balance sheet.
Doubtful	Appears as expense on the income statement (bad debt expense) and is subtracted from the receivable on the balance sheet.
Uncollectable	Is removed from the balance sheet.

Note: “Uncollectable” is an accounting term, it does NOT mean that collections stop.

Review of Bad Debt Policy

- ▶ Willow Point calculates, on an annual basis, accounts receivable deemed doubtful or uncollectible
- ▶ Accounts aged more than 180 days from the billing date are no longer probable for collection. (Doubtful – bad-debt expense)
- ▶ Uncollectible receivable write-off – unlikely to be collected (legislative resolution)
 - ▶ Medicare A, B, C- beyond 365 days = 100% uncollectible
 - ▶ Private – beyond 365 days = 100% uncollectible
 - ▶ Medicaid – beyond 365 days = 100% uncollectible
 - ▶ Commercial Insurance A, B, C – beyond 365 days = 100% uncollectible
- ▶ Policy is based on best practices

Scope of Services

- ▶ Venesky & Company was contracted to answer five questions concerning the receivables function at Willow Point Rehabilitation and Nursing Center.
- ▶ The Scope of Services was jointly developed by Audit & Control, Executive's Office, and the Office of Management & Budget.

Scope of Services

1. Is the write-off policy related to bad debt consistent with industry standards? Are the amounts correctly calculated?
2. Are the amounts recorded as bad debt actually uncollectible?
3. What is causing the accounts to become uncollectible?
4. Is the Willow Point fiscal office properly staffed and trained to do the expected tasks?
5. Are the numbers generated annually reasonable? Why has there been a dramatic cash loss without a recorded budget impact?

Objective #1

- ▶ Is the write-off policy related to bad debt consistent with industry standards?
 - ▶ Yes
- ▶ Are the amounts calculated correctly?
 - ▶ No
 - ▶ The review computed new write-off amounts in conformance with the policy

Objective #2

- ▶ Are the amounts recorded as bad debt actually uncollectible?
 - ▶ In conformance with the policy yes.
 - ▶ Willow Point has already identified \$15,136,709 of doubtful accounts.
- ▶ As of December 31, 2021 the aging report shows \$18,149,114.
- ▶ Writing off a receivable does not stop collection activities.

Objective #3

- ▶ What is causing the accounts to become uncollectible?
- ▶ In 2014 Willow Point received a report from Bonadio Receivable Solutions
 - ▶ The report contained 49 findings and recommendations
 - ▶ Many of the recommendations were not implemented completely
- ▶ The Venesky review reinforced the need for:
 - ▶ Improved daily management
 - ▶ Change in culture
 - ▶ Change in staff assignment:
 - ▶ Collections vs. Accounting
 - ▶ Training necessary
 - ▶ Vacancies have hampered success

Question #4

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- ▶ Is the fiscal office properly staffed and trained to do the expected tasks?
 - ▶ No
 - ▶ Functional allocation of staff was not correct
 - ▶ Collections vs. Accounting
 - ▶ Vacancies have hampered success

Objective #5

- ▶ Are the numbers generated annually reasonable?
 - ▶ The data provided to Venesky and used in their computations by Willow Point were reasonable.
- ▶ Why has there been a dramatic cash loss without a recorded budget impact?
 - ▶ There has been significant non-operating support

From the WPRNC Financial Statements:	FYE 2020	Draft FYE 2021
Advance from the General Fund to Cover Operating Costs*	\$5,461,283	\$3,015,687
Prior Relief Fund Through HHS	\$1,392,267	\$1,681,793
Intergovernmental Transfer Program (IGT)	\$2,457,376	\$4,004,880**
	\$9,310,926	\$8,702,360

*Cumulative Balance \$8,476,970 as presented by Venesky

**IGT was Budgeted at \$2,254,588

Intro #35 – What you are doing

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- ▶ Authorize Willow Point to complete an accounting function
 - ▶ 2017-2021
- ▶ Remove uncollectible debt from their books
 - ▶ Moving debt from “doubtful” to “uncollectible”
 - ▶ Per policy uncollectable debt is more than 365 days old
 - ▶ Removed from the books



Intro #35 – What you are NOT doing

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- ▶ Adjusting the fund balance or cash in anyway
- ▶ Stopping the collection of funds owed to Willow Point
- ▶ Not “losing” money

Plan of Action

- ▶ Centers
 - ▶ May 1st took over billing
- ▶ Reorganizing division
- ▶ June presentation with details related to billing

Questions

- ▶ Why is a large portion of the debt related to Medicaid and Medicare?
What caused this?
 - ▶ 2016 federal shift to “managed Medicaid/Medicare”
 - ▶ Willow Point saw up to 40% of non payment under this program
- ▶ How much of the bad debt is related to poor billing practices?
 - ▶ It is impossible to quantify a dollar figure
 - ▶ Industry standard for bad debt is .5% to 1%
 - ▶ Willow Point is approximately 8%
 - ▶ Poor practices were identified by Centers
- ▶ What steps have been taken to address the issue of debt collection/billing?
 - ▶ Refer to “Plan of Action” slide

Questions