Understanding the Nature and Influences of Jersey shore Hospital’s Bad Debt and Collection Effectiveness

Overview
Within the last 12 months, Jersey Shore Hospital has seen an accumulation of $2.5 million bad debt. Bad debt is defined as an amount of money written off as a loss due to the inaction of a patient. The hospital requested that the team analyze hospital data to gain better insight to the source of bad debt, as well as revise the collection process to make it more efficient. The statistical analysis of patient data was conducted through the use of a regression model. External research was used to benchmark the collection process currently used at Jersey Shore against other processes used in similar hospitals.

Objectives
Engineering Design Solutions focused on two main objectives: running an analysis to understand how much the hospital’s bad debt stems from different types of patients and evaluating the current debt collection process to make revisions. Specific patient data that was collected for the statistical analysis included: financial status (insured vs. uninsured), department visited, age, location (in vs. out of state), employment status, and bill payment status. External research was also conducted for benchmarking purposes when analysing current collection processes.

Approach
- On initial site visit, customer needs and deliverables were determined by speaking with associates
- Collected data pertaining to patient information from the hospital
- Researched information on hospital trends
- Benchmarked local non-profit hospital to examine current collection processes
- Analyzed data using “R” and basic statistical calculations
- Studied patients in three distinct categories: paying and non-paying patients, and department visited
- Developed a proactive collection plan to curb the growth of Jersey Shore Hospital’s bad debt

Outcomes
As a result of benchmarking and statistical analysis, the team was able to develop a proactive collection plan that would focus on the implementation of a screening process and pre-treatment payment options for all non-emergent procedures.
- The screening process will identify problem patients:
  - Patients with outstanding balances from prior treatment at hospital
  - Patients facing large post-treatment bills
  - Financial status (insurance and employment history)
Jersey Shore Hospital will direct their attention towards problem patients by raising awareness to the financial challenges they face and assisting them in establishing proper collection techniques.