

EMS Accounts Receivable and Allowance Policy

City	City of Mission, Texas
Policy number	_____
Effective date	_____
Approved by	_____

Purpose

This policy establishes the method the City will use to estimate and report the allowance for uncollectible EMS accounts receivable. Adoption of this policy before fiscal year-end authorizes the methodology. The actual year-end allowance will be calculated after the fiscal year-end aging report and other closing information become available.

Policy

The City will report EMS accounts receivable at the amount expected to be collected. An allowance will be recorded against active receivables that remain on the third-party biller's aging ledger and are not already written off. The estimate will be based on the information available when the financial statements are prepared and will be reviewed at least annually.

Scope and source records

This policy applies to EMS billings, collections, adjustments, write-offs, and active receivables administered by the City's third-party biller, Emergicon. Finance will use the biller's monthly activity reports, active aging report, payer information, write-off activity, subsequent collections, and the City's general ledger. The Emergicon aging report uses the categories Current, 30 Days, 60 Days, 90 Days, 120 Days, 150 Days, and 180+.

Allowance determination methodology

Finance will determine the allowance using a payer-by-aging analysis of active accounts receivable. The estimate will reflect the following factors:

- Historical collection and write-off experience, including prior-year results and current-year activity available when the estimate is prepared.
- Payer characteristics and expected reimbursement patterns, including government programs, commercial insurance, patient-responsibility balances, legal or workers' compensation claims, and accounts with an unresolved payer classification.
- The age of each balance using the Emergicon categories Current, 30 Days, 60 Days, 90 Days, 120 Days, 150 Days, and 180+. The estimated loss rate will generally increase as an account ages because the likelihood of collection normally declines over time.
- The biller's collection and write-off practices, including the policy permitting qualifying accounts with a minimum balance of \$100 to be written off after 180 days with no account activity. A balance reported in 180+ is not automatically uncollectible when the account remains active or has other supported collection circumstances.
- Specific facts affecting material or unusual accounts, such as denials, appeals, bankruptcy, deceased patients, disputes, missing documentation, coding issues, or other known collection concerns.
- Collections, adjustments, and write-offs occurring after year-end but before the estimate is finalized, when that information provides evidence about year-end collectibility.

Finance may use a rate matrix by payer category and the seven Emergicon aging buckets as the calculation tool. The rates are accounting estimates rather than fixed policy amounts. Finance may update them when historical results, payer mix, billing practices, or other relevant conditions change. Each annual analysis will document the data used, the basis for the selected rates, any account-specific adjustments, and management approval.

Treatment of adjustments and write-offs

The allowance will be applied only to active receivables. Accounts already written off and removed from the aging ledger will not be reserved again. Contractual adjustments, the prompt-pay discount, authorized negotiated discounts, and corrections of charges will be recorded separately from bad debt when those amounts are no longer legally collectible.

Financial statement presentation

EMS accounts receivable will be presented net of the allowance for uncollectible accounts. For governmental-fund reporting, revenue availability will be evaluated separately from collectibility. A collectible amount that is not available within the City's established availability period may require deferred inflow treatment without changing the allowance calculation.

Responsibilities and review

- Finance will prepare the annual reconciliation and allowance calculation.
- The Finance Director or authorized designee will review and approve the estimate and any changes to the estimation rates.
- Finance will compare each prior-year estimate with subsequent results and revise the methodology when supported by experience or changed conditions.
- Supporting reports, calculations, reconciliations, journal entries, and approvals will be retained in accordance with the City's records-retention requirements.