



**Media Contact:**

Gary Hopkins (805) 705-2586  
gary@blancohopkins.com

**Research Indicates One-Third of Patient Bad Debt Misclassified, Should be Charity;  
Significant Opportunity to Demonstrate Community Benefit.**

**WALTHAM, Mass. – March 24, 2009** – As much as 31 percent of patient revenue written off to bad debt and sent to collection agencies should be classified as charity, according to a recent research study conducted jointly by Connance, Inc. and PARO Decision Support, LLC (PARO).

With self-pay portfolio balances rising, regulatory authorities increasingly are scrutinizing hospitals' charity care practices and provision of community benefit in exchange for tax exemptions. The Connance-PARO research findings suggest specific actions healthcare providers can take to improve both their cash performance and relationships with the poor and underserved in their communities. The research also suggests that appropriately applied analytics can help hospitals more accurately quantify charity care to comply with the new Schedule H to IRS Form 990.

**Research Findings**

The Connance-PARO research study, which was conducted on behalf of a group of leading healthcare providers, studied the charity care practices and community benefit provision of 148 hospitals during 2008, using a combination of Connance's EVI analytics and PARO's Presumptive Charity Model. Key findings include:

- Nationally, up to 31 percent of self-pay revenue currently being assigned for bad debt collection meets provider charity-eligibility guidelines.
- Differences in regional economics substantially impact charity eligibility. Providers need to calibrate any charity analytic to their local context.
- For not-for-profit providers, the cost of services for charity accounts can be claimed as community benefits in Form 990, Schedule H.
- Early trends indicate the appropriate classification of presumptive charity care can result in reduced account processing costs with bad debt agencies and increased ability to focus on performing patient portfolios.

“These findings highlight the shortcomings, and opportunities, within providers' charity screens where patients who could easily qualify for charity care end up as bad debt accounts,” said David Franklin, Chief Development Officer of Connance. “Providers and their agencies needlessly expend money and erode community and patient goodwill pursuing collections against charity-eligible patients.”

## **Integrating PARO Score with Connance Analytics for Comprehensive Solution**

In response to this research, and with the support of leading providers, Connance has integrated the PARO Presumptive Charity Model into its suite of business office analytic offerings.

PARO's Presumptive Charity Model, developed in collaboration with a number of faith-based nonprofit providers, helps hospitals meet their community benefit obligations by quickly and cost-effectively qualifying patients for charity care. The model was built to address many of the issues facing consumers who live in poverty and to eliminate some of the barriers that traditional charity care applications present. Consumers who live in poverty are often reluctant to apply for traditional charity care because they are unable to understand the application, required documentation or overall process. The PARO Presumptive Charity Model was built in conjunction with LexisNexis, a global provider of information and analytic solutions, to help ensure individuals are identified for these type of community benefits.

The combination of Connance's Expected Value Index (EVI) and Collection Strategy, which were developed through collaboration with leading healthcare providers and FICO, and the PARO Score gives providers a comprehensive solution to prioritize, segment and administer self-pay accounts across the spectrum of collection routines.

"The benefits from combining PARO's and Connance's analytics are significant and exciting," said Neil Smithson, Managing Member of PARO Decision Support, LLC. "I am proud of the work that we have done to assist providers in defining and meeting their community benefit objectives. In 2008, that equated to assisting nearly a quarter of a million consumers through the analysis of nearly \$1.5 billion in patient accounts. Adding Connance strengthens our ability to ensure that patients are receiving the appropriate level of financial resources regardless if that resource is charity care, extended Medicaid eligibility efforts, or correct patient follow-up strategies."

Said Franklin, "The combination of PARO and Connance enables providers to quickly and cost-effectively identify charity-eligible patients and work discreetly with them to resolve their financial situation. Patients who can and should pay can be similarly identified for effective follow up. In combination, providers realize lower operating cost, better recognition of their community benefit activity and more patient-friendly collection activity."

### **About Connance, Inc.**

Connance's technology-based solutions help hospitals and third-party revenue cycle vendors improve patient collections and mitigate self-pay bad debt. Combining the experiences of numerous leading hospitals systems with FICO's predictive analytics, Connance web-based agency management platform, account decisioning tools and benchmark reports increase cash, reduce costs and improve the patient experience throughout the collection process. Connance was founded in 2006 by senior healthcare executives with experience in both operating and transforming revenue cycle operations.

Connance is headquartered in Waltham, Mass., with additional sales offices in Minneapolis, Atlanta and Chicago.

**About PARO Decision Support Solutions**

PARO is a consulting firm specializing in charity care and financial assistance models, work flow management tools, and consumer verification systems for healthcare. PARO deployed the first predictive model for presumptive charity, the PARO Presumptive Charity Model Score, in 2006 in collaboration with Catholic Healthcare West. PARO is based in Fort Lauderdale, Fla.

###