
 <p><b>HAWAII HEALTH SYSTEMS</b> CORPORATION <i>"Touching Lives Everyday"</i></p> <p><b>Policies and Procedures</b></p>	<p>Department:</p> <p>Corporate Finance</p>	<p>Policy No.:</p> <p><b>FIN 0011</b></p>
	<p>Issued by:</p> <p>Kelley Roberson COO &amp; CFO</p>	<p>Revision No.:</p> <p>NA</p>
<p>Subject:</p> <p><b>Cash Management</b></p>	<p>Approved by:</p>  <p>HHSC Board of Directors By Its: Secretary/Treasurer</p>	<p>Effective Date:</p> <p>August 21, 2008</p>
		<p>Supersedes Policy:</p> <p>NA</p>
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- I. PURPOSE AND SCOPE:** The purpose of this cash management policy is to enable management and governance to fulfill the fiduciary responsibilities of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors and the Regional System Boards of Directors and the Boards of Directors of other HHSC entities in handling and securing HHSC funds. Effective cash management is a foundation for sound public financial management. The essence of effective cash management is conservation of cash. This includes minimizing idle cash balances by investing cash not needed for day-to-day routine expenditures in liquid and interest-earning financial assets.
- II. STATEMENT OF POLICY:** It is the policy of HHSC that all facilities, regions, the corporate office and other entities of HHSC shall devise procedures and controls to assure the safety of assets, provide required liquidity for operations, and obtain reasonable returns on funds (in combination with separate policy on investments). It is the policy of HHSC that first priority for use of available cash is for payroll and benefits, and that the second priority for use of available cash is to pay debt service, including any payments on municipal leasing schedules. Unique regional or facility level requirements may require minor deviations from the policy.
- III. IMPLEMENTATION OF POLICY**
- A. Collections:** All payments and collections will be deposited on a timely basis to the authorized banking institution within one business day. Documentation of all collections will be made and accounting entries made in a timely manner both to the patient accounts and to the General Ledger.
- B. Sweep Accounts.** Deposits into accounts other than centralized corporate level of regional interest bearing "sweep accounts" shall be nightly transferred to the applicable sweep account to assure best interest earnings.
1. The HHSC Corporate office shall maintain a sweep account for the deposit of daily collections from facilities of regions without cash management authority or for regions that choose to have daily deposits transferred to the corporate sweep account.
  2. Individual regions may establish sweep accounts into which daily deposits for the facilities of the region may be transferred.

- C. **Lock Box Utilization:** HHSC facilities shall utilize lock box services for the deposit of payments to facilitate timely deposit.
- D. **Electronic Billings & Collections:** HHSC facilities shall utilize electronic billing, including Automated Clearing Houses (ACH) to government and third party insurance company payers to the maximum extent feasible to expedite processing of bills and receipts of payments.
- E. **Cash Handling:** Facilities shall establish internal procedures and controls for cash handling to enforce cash management policy objectives.
- F. **Authority and Accountability:** Governance and management at all levels shall assure that only duly authorized employees are allowed to manage or handle cash for the Corporation. Any continued failure to follow the cash management policies or willful action in contravention of those policies by an employee of the Corporation of the Corporation or the applicable region shall be grounds for disciplinary action.

IV. **OBJECTIVES:** Governance and management at all levels have fiduciary responsibility to achieve cash management objectives.

- A. **Investments.** The HHSC Corporate Board of Directors has established a separate Investments Policy. Objectives of the investment policy are to provide for **Safety** of funds, for **Liquidity** of funds, and for **Yield from the funds**.
- B. **Collection of Revenues.** Each hospital shall develop written policies and procedures, in accordance with any applicable policies established by its Regional System Board, identifying guidelines used to support their collection activities. These policies and procedures should cover procedures for both inpatients and outpatients in the area of pre-admission, admission, discharge, billing, credit and collection and bed debt assignment. The financial status of each patient should be determined so that an appropriate classification and distinction can be made between uncollectible amounts arising from a patient's unwillingness to pay (bad debts) and those arising from a patient's inability to pay (charity care). All policies and procedures should be written to assure compliance with the Fair Credit Billing Act, Uniform Commercial Code, and other federal or state laws or regulations that deal with credit or collections as they pertain to hospitals.
- C. **Management of Expenditures.** Each hospital shall develop written policies and procedures, in accordance with any applicable policies established by its Regional System Board, identifying guidelines used to support their management of payments for supplies and expenditures: 1. **Payroll**, in accordance with HHSC Corporate Board Payroll Funding policy. 2. **Debt payments**, in accordance with HSC Corporate policy on Debt Management; and 3. **Supplies and Expenditures**.

V. **APPLICABILITY:** All HHSC regions and facilities and all HHSC Corporate staff.

VI. **REFERENCE:** HRS Chapter 323F