



Report to the Legislature

FISCAL YEAR 2002

ACCOUNTS RECEIVABLE

AND

DEBT WRITE-OFF REPORT

Report to the Washington
State Legislature
Chapter 130, Laws of 1997, Section 5(2)(b), RCW 43.20B.030 (2)(b)

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Accounts Receivable and Debt Write-Off Report Fiscal Year 2002

Statutory Authority:

Chapter 130, Laws of 1997, Section 5(2)(b), RCW 43.20B.030 (2)(b) requires the following from DSHS:

(b) Beginning December 1, 1997, the department shall report by December 1 of each year to the commerce and labor committees of the senate and house of representatives, the senate ways and means committee, and the house appropriations committee, or successor committees, the following information:

- (i) The cumulative amount of debt due the department;
- (ii) The cumulative amount of debt that has been written off by the department as no longer cost-effective to pursue;
- (iii) The amount of debt due the department that has accrued in each of the previous five fiscal years; and
- (iv) The amount of debt that has been written off in each of the previous five fiscal years as no longer cost-effective to pursue.

Background:

The mission of the Washington State Department of Social and Health Services (DSHS) is to improve the quality of life for individuals and families in need. In pursuing this mission, DSHS manages a comprehensive array of social, health, long-term care, and income assistance programs. These services are delivered both directly and through contract with public and private entities that are accountable to the taxpayer for consumer access, quality, and cost-effectiveness.

The two major organizations within DSHS that are responsible for the collection of debt owed to the department are the Division of Child Support (DCS) and the Financial Services Administration (FSA).

DCS is responsible for the collection of child support from non-custodial parents when the children are receiving public assistance monies. DCS also collects child support in cases in which the children are not receiving public assistance. However, these "non-assistance" cases are not included in the DCS accounts receivable or the DCS debt write-offs because the debts on these cases are not owed to the department.

DCS receivables include debts related to public assistance cases, medical costs, paternity costs, and state-funded foster care costs. The vast majority of receivables at DCS are related to the collection of child support on public assistance cases.

FSA is responsible for centralized collection and cashing for DSHS programs. Collection activities performed by FSA include (1) client assistance overpayment (recovery of financial, medical, and food stamp overpayments); (2) estate recovery (estates of deceased recipients who received state/funded long-term care or Medicaid clients that may be required to repay costs); (3) Medicaid drug rebate (recovery of rebates due from drug manufacturers); and (4) other recoveries related to vendor overpayments, residential care, Supplemental Security Income-interim assistance, and industrial insurance time loss recoveries.

Scope of Report:

The amount of debt owed DSHS and the amount of debt write-off information is presented separately for DCS and FSA.

The department exhausts every effort to collect its overpayments and considers many variables before a decision is made to write-off an individual obligation. These include bankruptcy, corporations with no assets, negotiated compromises between DSHS and the obligor, statute of limitations, and whether or not it is cost effective to pursue the collection of a debt. The information presented in the report detail below includes debt write-off due to these reasons for both DCS and FSA receivables, except that DCS does not report write-off of debt due to cost effectiveness.

Report Detail:

Provided below is the cumulative amount of debt due the Department as of the end of fiscal year 2002 as well as the accounts receivable balances for the four previous years:

	<u>Fiscal Year 1998</u>	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>
Receivables:					
Division of Child Support	\$ 1,170,451,781	\$ 1,172,837,179	\$ 1,159,867,216	\$ 996,552,025	\$ 903,553,206
FSA	161,108,106	158,263,335	164,304,291	206,963,658	213,432,979
Other			1,170,788	12,895,636	8,811,742
Total DSHS Receivables	<u>\$ 1,331,559,887</u>	<u>\$ 1,331,100,514</u>	<u>\$ 1,325,342,295</u>	<u>\$ 1,216,411,319</u>	<u>\$ 1,125,797,927</u>

Provided below is the cumulative amount of debt that has been written off by the Department for fiscal year 2002 and for the four previous years:

	<u>Fiscal Year 1998</u>	<u>Fiscal Year 1999</u>	<u>Fiscal Year 2000</u>	<u>Fiscal Year 2001</u>	<u>Fiscal Year 2002</u>
Write-offs:					
<u>Division of Child Support</u>					
No longer cost effective (1)	\$ -	\$ -	\$ -	\$ -	\$ -
All other write-offs (2)	50,329,502	55,363,266	57,951,045	167,488,335	128,401,711
Total DCS Write-offs	<u>\$ 50,329,502</u>	<u>\$ 55,363,266</u>	<u>\$ 57,951,045</u>	<u>\$ 167,488,335</u>	<u>\$ 128,401,711</u>
<u>FSA</u>					
No longer cost effective (3)	\$ 3,929,461	\$ 1,550,703	\$ 1,254,869	\$ 672,315	\$ 2,127,140
All other write-offs (4)	9,274,944	12,252,347	10,889,175	14,044,110	13,440,492
Total FSA Write-offs	<u>\$ 13,204,405</u>	<u>\$ 13,803,050</u>	<u>\$ 12,144,044</u>	<u>\$ 14,716,425</u>	<u>\$ 15,567,632</u>
Total DSHS Write-offs	<u>\$ 63,533,907</u>	<u>\$ 69,166,316</u>	<u>\$ 70,095,089</u>	<u>\$ 182,204,760</u>	<u>\$ 143,969,343</u>

Write-Off Notes:

- (1) DCS does not report amounts in this category.
- (2) This category includes write-offs primarily due to statute of limitations, case closures, and write-offs due to administrative hearing decisions.
- (3) This category is a mixed group of cases in which the cost of pursuing collection is expected to exceed the amount recovered.
- (4) This category includes write-offs primarily due to bankruptcy, corporations with no assets, negotiated compromises between DSHS and the obligor, hardship, exhaustion of all other remedies, and statute of limitations.