Document Title	Revenue Cycle: Bad Debt	Version	2
Approved By	Accounting	Approval Date	10/15/2024
Reviewed By	*Policy Admin Group*, Reimbursement Management	Reviewed Date	10/15/2024

SCOPE:
This policy pertains to St. Mary's Health and Clearwater Valley Health business office staff, financial counselors and collection agencies.

PURPOSE:
To provide clear guidelines for the process concerning bad debt definitions, applications, collection attempts, and write offs.

POLICY:
It is the policy of SMH/CVH Health that delinquent billed patient accounts (categorized as Self-Pay, or as patient responsibility due after insurance has paid in full) receive a series of statements and collection notices which may be accompanied by telephone 'courtesy' phone calls. Failure to respond, or to make a minimum negotiated payment, may cause the account to be considered for bad debt collection efforts and to be assigned to a bad debt collection agency.

Billing and Collection Efforts preceding Bad Debt Assignment. Based on hospital or clinic location of care, patients will receive three statements and one final notice letter from the SMH/CVH Health Billing Department or contracted Billing Service. Statements are generated on a defined mailing cycle initiated promptly following determination of payment responsibility. If the patient or guarantor does not satisfactorily respond to or work with the billing department, a final notice letter will be issued. This letter includes a written advisement that – to prevent the account from being assigned to a collection agency – the patient must promptly make payment or contact the department or billing service to discuss options.

1. Patient balances may be considered for Bad Debt classification and collections if all of the following apply:
   a. The patient balance is not paid in full within the designated time frame, with the patient being notified of the availability of financial assistance.
   b. The patient balance is outstanding 120 days from the date of patient notification of responsibility (via the first patient billing statement).
   c. At least three statements or collection notices have been mailed or issued to the patient or responsible party (guarantor).
   d. The individual patient or guarantor account balance, or the 'bundled' billing service combined guarantor balance, exceeds SMH/CVH Small Balance threshold for collections; and
   e. The patient or responsible party has failed to make payments according to a previously agreed upon payment plan, or otherwise failed to meet financial commitments made to SMH/CVH during billing and initial collection efforts and has either not contacted the billing department to offer a viable explanation and/or renegotiate terms. **See Mail Returns Section 4 for specific exception*

2. The hospital facility will notify an individual at least 30 days before initiating an extraordinary collection action and will include a plain language summary of the financial assistance policy with this notice.

3. The account will be assigned to the appropriate contracted bad debt collection agency. SMH/CVH will ensure reasonable efforts were made to determine whether an individual is eligible for financial assistance

before sending an owed amount to a collection agency. If an account is submitted for collection and a guarantor submits a financial assistance application within 240 days of first statement date, collection activities will be suspended until a final determination of financial assistance is made.

4. **Extraordinary Collection Actions.** The following actions are considered extraordinary collection actions:
    - Reporting an individual to a credit reporting agency.
    - Selling debt to another party
    - Placing a lien on property
    - Attaching or seizing a guarantor's bank account or other personal property.
    - Commencing a civil action against a guarantor.
    - Causing a guarantor's arrest.
    - Causing a guarantor to be subject to a write of body attachment.
    - Garnishment of wages: and/or
    - Denying, deferring, or requiring payment before the provision of medically necessary care.

    SMH/CVH will not undertake any Extraordinary Collection Actions within 120 days after the guarantor's first post-discharge billing statement or while the financial assistance application is pending. If SMH/CVH or a contracted collection agency undertake an extraordinary collection action against an individual eligible for financial assistance under the financial assistance policy, SMH/CVH and the contracted collection agency will undertake measures to reverse these extraordinary collection actions.

5. **Permitted Actions.** Patient accounts assigned to the bad debt collection agency follow documentation and communication requirements as agreed to, between SMH/CVH and the collection agency. When possible, such actions will follow automated processes through an interface between SMH/CVH billing systems (EMR) and the agency.

    Examples of permitted collections actions by SMH/CVH to collect self-pay balances from guarantors include:
    - Telephone calls, mailing, and/or emailing the guarantor.
    - Scheduling in person meetings with the guarantor.
    - Written notice to the guarantor of non-payment and amounts due.

    SMH/CVH will not use, nor will it permit, contracted collection agencies to use the following methods:
    - Causing a guarantor's arrest.
    - Attaching or seizing a guarantor's bank account or other personal property.
    - Foreclosing on a guarantor's property.
    - Any action that would prevent the guarantor or others from receiving emergency medical care.
    - Any other debt collection activity prohibited by state or federal law.

6. **Deceased patient Accounts:** SMH/CVH will follow normal statement process for the first 93 days. At day 94, the account will be sent to the collection agency to follow probate guidelines on behalf of SMH/CVH.

7. **Mail Returns**. Mail returns - from invalid, outdated, or missing mailing addresses, will often result in unsuccessful attempts to mail statements to the patient or responsible party. After reasonable diligence to locate a current, valid mailing address has been attempted and is not successful, escalation to Bad Debt status can take place within 93 days following determination of patient responsibility. This circumstance is understood to be an exception to Section 1.b of this policy. The Revenue Cycle Manager responsible for

Self-Pay Billing must approve any bad debt escalation less than 120 days, to include a written approval signature and date.

8. **Aged Bad Debt assignments.** Accounts that have been assigned to a SMH/CVH contracted collection agency, and that have aged five years without receiving payment, will be returned to SMH/CVH. This includes accounts with negotiated payment plans, for which the patient or responsible party has defaulted without making payment.
    - Within two business days after the account is returned, the balance will be adjusted to zero, using the appropriate adjustment transaction code.
    - SMH/CVH will allow the agency to keep aged accounts that have been issued a judgment and/or for which the patient or responsible party is making payments.
    - Five years will be calculated from the date the account was assigned to the bad debt collection agency from SMH/CVH.
    - In compliance with CMS regulations covering Medicare Bad Debt recognition, the collection agency will also ensure that returned accounts are completely adjusted off and cleared from their records.
    - The five-year time limit also applies to all SMH/CVH Clinic/Hospital locations. (On a case-by-case basis, and as approved by the Director of Revenue Cycle Operations or the CFO, the Collection Agency may request and obtain approval to extend the four-year limit.)

REFERENCE:
N/A