

Patient Financial Services'  
Collection Activity Policy

Department:  
Account Receivable/  
Billing

Subject: Self Pay Collection  
Activities, Bad Debt  
Determination, Collection  
Agency Placement, Collection  
Remedies

**Policy Statement:**

It is the policy of CarolinaEast Medical Center to determine the bad debt status of patient accounts in the same manner regardless of financial class and patient status. The original or current financial class shall not affect when an account is deemed a bad debt for the purpose of financial reporting. However, the financial class will determine collection activities and agency placement. Collection and bad debt processes shall be performed in an ethical, professional and compassionate manner. Medical Center staff and its collection agents shall comply with all applicable Federal and State collection laws and regulations such as PL-95 Fair Debt Collection Act and IRS rule - Section 501(r).

**Purpose:**

The purpose of this policy is to describe self pay collection activities, bad debt determination, collection agency placements and collection remedies. Collection activities involving insurance companies will not be addressed in this policy.

For the purpose of this policy the term patient(s) shall have the same meaning as a financially responsible party.

*Bad Debt Determination -*

An account is considered a bad debt for financial reporting purposes based on the age of the account. Specifically, an account is considered a bad debt 180 days from the date of discharge. *However, agency placement may occur prior to 180 days.* The revenue cycle system automates the bad debt determination. However, the system will not transfer an account to the bad debt status until the first day following the month the account aged to 180 days from discharge. The first day of the following month, an account that qualifies for bad debt selection will be removed from active account receivable.

The 180 day bad debt status exists regardless of the financial class. In other words, an account may be coded with active insurance coverage and be deemed a bad debt.

### *Internal Self Pay Collection Activities –*

Patient Financial Services staff will make a reasonable effort to request a deposit for patient balances prior to rendering scheduled services and after services are rendered for emergency services. *Emergency services shall not be delayed or denied due to a patient's inability to pay.*

Furthermore, internal collection activities include calling patients and mailing statements with tailored messages designed to communicate the status of the debt. Statements will also contain a message inviting the patient to contact the Medical Center for financial counseling and financial assistance in accordance with 501(r) requirements. The Medical Center may utilize a third party to work self-pay accounts not deemed bad debts.

### *Use of Collection Agents -*

CarolinaEast Medical Center engages the services of collection agents for the purpose of collecting patient past due balances. The referral of collection accounts shall be unbiased. To assure this the revenue cycle system automates placements solely based on the criteria discussed in this policy.

Collection agents shall on at least their first statement have an approved financial assistance message.

### *Extraordinary Collection Activities*

The Medical Center and its agents shall refrain from extraordinary collection actions before making reasonable efforts to determine whether a patient qualifies for financial assistance. At time of patient registration reasonable efforts are required to give patients a summary of CarolinaEast Medical Center's financial assistance policy. Additionally the full policy is on display in registration areas and is posted online

Extraordinary Collection Activities include filing consumer credit reports and legal action.

### *Collection Agent Placement –*

The following describes the conditions required for agency placement:

1. The age of the account is at least 180 days old from discharge except as noted below.

2. An account must be in the self-pay financial class. Under no circumstances may a governmental payer (Medicare, Medicaid, Tricare, Veteran Administration) account be intentionally transferred to self-pay prior to final adjudication of the claim, which indicates a patient balance. This also applies to patients with managed care coverage under a contractual “Held Harmless” provision.

The only exception is when a due diligence review indicates billing the patient is appropriate due to inaction or lack of cooperation from the patient.

3. When an account is in a self-pay status and there have been no self-pay payments of 10.00 or greater within the past 60 days. Note: this 60-day rule supersedes the 180 days requirement. Specifically, a self-pay balance will be placed with a collection agent the beginning of the month after no payments for 60 days provided the account has aged 120 days from discharge.

Note: it is possible to have a self pay account placed with a collection agent prior to the bad debt status.

4. The revenue cycle system will automatically refer accounts for collections based on the above criteria.

#### *Collection Remedies:*

#### Legal Action

Provided a patient has not agreed to reasonable payment arrangements or has not paid in accordance with an approved payment arrangement the Medical Center may file legal action. The minimum total debt must be greater than 499.99

#### Prerequisites for filing suit:

- Medical Center staff and collection agents will make a reasonable effort to assure the patient was offered financial counseling whether by mail, verbally or publicized means.
- There should be sufficient equity in a home, business or personal property.
- A review of the patient’s consumer credit report to determine a patient’s credit worthiness, ability to pay and potential income.
- Approval by the Director of Business Affairs, Vice Presidents of Finance or designees.

#### Consumer Credit Reports

A derogatory public credit report will eventually be filed on self-pay bad debt accounts placed with a collection agent for balances greater than twenty-five (25.00) dollars. Any consumer dispute will be handled in the appropriate manner. Once an account is deemed uncollectible the credit report will be removed by the collection agent that filed the report.

Medical Center staff and collection agents may obtain a consumer credit report when engaged in collection activities, determining payment arrangements or when determining charity eligibility. A propensity to pay score may be used in place of a full credit report.

*Medicare Collection Accounts Deemed Uncollectible*

In order for Medicare hospitals to claim a bad debt and be reimbursed under the Medicare Program, providers must follow all of the *Criteria for Allowable Bad Debts* discussed in 42 C.F.R§ 13.89(e) and sections 308 and 310 of the Medicare Provider Reimbursement Manual (CMS Publication 15-1).

CarolinaEast Medical Center shall comply with this regulation and deem an account uncollectible when:

- A. the account is at least 120 days old from the discharge date and
- B. the account has received reasonable collection efforts in the same manner as a non Medicare collection account and
- C. there is no likelihood of future payment whether by the patient, insurer, legal proceedings, judgment, etc. and
- D. the hospital's collection agency sends a written attestation that the account is uncollectible.

The only exception as permitted by law involves Medicaid recipients. When a Medicare balance is filed to Medicaid and appears on a Medicaid voucher unpaid the account is immediately deemed uncollectible provided Medicaid confirms the patient's eligibility

*Note: Balances greater than \$1,499.99 will not follow the above process and qualify for additional collection activities and the consumer credit report shall remain as permitted under law or until the collection agent which file the consumer report deems the account uncollectible.*

Non Medicare accounts are deemed uncollectible in the same fashion and is determined by the collection agent or CarolinaEast Medical Center.

Collection Code 83

This collections code denotes an account has been deemed uncollectible.

Robert M Nelson  
Director, Business Affairs

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