

SUBJECT: Bad Debt/Collections Policy

SCOPE: This policy applies to all patients of Mary Rutan Hospital (“Hospital”), including all inpatients, outpatients and patients of ambulatory care outpatient facilities. This policy shall be implemented and followed by all Hospital employees processing patient accounts and patient liabilities, including audit functionalities (e.g. Billers, Analysts, etc.)

PURPOSE: The purpose of this policy is to describe the process through which patient balances will be sent to collections and written off to organizational bad debt

DEFINITIONS: As used in this policy, the following terms shall have the meanings set forth below.

Bad Debt: This is an amount owed for healthcare after all attempts are made to collect.

Patient Liability: The portion of a bill for healthcare services for which a patient is responsible, for example a deductible, co-insurance, or co-pay.

ECA's: Potential methods to collect on accounts written off to bad debt that meet, or potentially meet, the definition of an Extraordinary Collection Action according to federal regulations.

- A. Statements are sent on all nonpaid patient liabilities (if not on hold for additional processing, such as pending a Financial Assistance approval pursuant to applicable Hospital policies, or for other administrative purposes) within two (2) to nine (9) days of the determination of patient liability, then afterwards for a minimum of one hundred twenty (120) days.
- B. When the patient requests Financial Assistance pursuant to applicable policies, Hospital will hold the patient’s account(s) from extraordinary collections for up to one hundred twenty (120) days from request. When required paperwork for the Financial Assistance determination process is received, Hospital will hold collections for the final determination of Financial Assistance to be made. If additional information is requested from patient, then collection actions will be held for up to thirty (30) days from that request. As specified in other Hospital policies, a patient in an established Payment Plan may be eligible for Financial Assistance or Discounts pursuant to other Hospital Policies.
- C. Reasonable efforts will be completed to determine whether an individual is eligible for Financial Assistance under the applicable Hospital Policy.

D. Collections will take a minimum of one hundred twenty (120) days from final Patient Liability determination. Final Patient Liability is determined after applications of all relevant Financial Assistance, Discount and Payment Plan policies of Hospital have been considered. Nonpayment of Patient Liability will be referred to a collection agency for further collection. Reasons for nonpayment are:

1. Eligibility for assistance cannot be determined.
2. An agreed upon payment plan that has not been fulfilled. Refer to Payment Plan Policy.
3. Failure to respond to statements, letters and other attempts for full payment.

E. A detailed overview of the collections timeframe and process undertaken by Hospital's third party collection agency is listed below:

1. First Letter - Account Received Accounts sent to collection agency get first letter stating account has been assigned to a collection agency. The letter has the Fair Debt Collection Practices Act required language which states they have 30 days to dispute the bill or any portion of the bill. Proof of the bill is provided to the debtor if bill is disputed. The letter also informs the debtor that the account will be reported to a credit bureau if it remains unpaid for more than 180 days. The first notice also informs the debtor that the account will start accruing interest at the State of Ohio's maximum legal rate.
2. Second Letter – 30 Days after Account Received If an account is still unpaid after the first 30 days, a second letter is sent giving 14 days to pay in full or enter into an agreeable Promise to Pay (P2P).
3. Third Letter – 45 Days after Account Received If an account is still unpaid after 45 days and an agreeable P2P has not been entered into, a third letter goes out giving 10 days to get the account Paid in Full (PIF) or enter into P2P.
4. Phone Collector – 60 Days after Account Received If an account is still unpaid after 60 days and an agreeable P2P has not been entered into, the account goes to a phone collector who attempts to get the debtor on the phone to get account PIF or enter into P2P. If the collector is unable to get in contact with the debtor by phone they then try to locate assets that can be used to help pay the bill. Assets could be a place of employment, a bank account, property, or some other source of income.
5. Legal Action Review– 180 Days after Account Received If an account has been in collections for more than 180 days and is still unpaid and not in an agreeable P2P, it would be reviewed for possible legal action. If the debtor appears to have assets to pay the bill, legal action is recommended.

6. Suit Can Be Filed – 180 Days after Account Received and Legal Action Review If legal action is approved by client, a court case can be filed. If the bill is not paid or an agreeable P2P has not been reached, a judgment can be obtained against the debtor.
7. If Judgment granted – After case filed With a judgment on the account, wages are subject to possible garnishment, money in bank accounts are subject to possible attachment and liens on property can be filed.
8. If Judgment Granted – No assets found If no assets are available, the account can be ordered into a judgment debtor exam and the debtor would have to show up in court and under oath they would have to disclose assets and income as well as any other sources of income that can be used to pay the account.

F. ECA's taken by the Hospital, or a third party acting on behalf of Hospital for nonpayment include, but are not limited to, the following:

1. Reporting information to credit bureaus
2. Initiating civil litigation
3. Garnishment of wages
4. Liens on property
5. Attachment to assets

Extraordinary measures will not be initiated until a minimum of one hundred fifty (150) calendar days have passed since the account was placed with the third party agency.

- G. Accounts under \$15,000 may be written off of active accounts receivable to bad debt status by the Director of Revenue Cycle or designee, per departmental procedure. Accounts over \$15,000 must be approved for write off to bad debt by the Vice President of Fiscal Services.
- H. The patient's good faith effort is expected in providing the necessary paperwork and/or documentation necessary for Hospital to implement and effectuate this policy.