

BAD DEBT POLICY

PURPOSE: When all efforts to collect an account have failed and the criteria for bad debt write off have been met, the account will be charged off to bad debt. The policy will ensure the procedure will be consistently applied to all financial classes.

PROCEDURE:

In an effort to ensure that the Hospital has all relevant information related to an account, including, but not limited to the patient or account guarantor's ability to make financial arrangements for the satisfaction of an account, Patient Financial Services will:

1. Review and monitor accounts for any third party payors;
2. Review accounts for eligibility for the Hospital's Financial Assistance Program;
3. Review legal advertisements in local newspaper for notices to creditors filed on behalf of personal representatives of deceased patients or account guarantors, and follow up with the appropriate Clerk of Court for the County regarding possible estates files for deceased patients or account guarantors; and
4. Follow the same procedures regardless of a patient or account guarantor's financial status or ability to pay.

Transfer Criteria. Prior to charging off any account as a bad debt and prior to transferring such account to a third party agency, the Hospital will ensure the account satisfies all of the following criteria:

1. The account has aged for one hundred twenty-one (121) days or more without payment. In determining age, any 4 consecutive or nonconsecutive periods or twenty-eight (28) days without payment would constitute one hundred twenty-one (121) days for purposes of this determination.
2. Account guarantor has received at least four (4) statements.
3. Patient and account guarantor have received a final collection letter notifying that the account will be referred to collection agency if payment not received within thirty (30) days.
4. Returned mail will be skipped traced and after all attempts have failed to produce a correct address, the account will be charged off regardless of account status in the statement cycle.
5. The account will not be referred to a collections agency, entity, or other assignee during the pendency of a patient's application for charity care or financial assistance under the Hospital's charity care policy.

6. Any collections agency, entity, or other assignee receiving the patient account will inform the patient of the Hospital's charity care and financial assistance policies.
7. Any collections agency, entity, or other assignee receiving the patient account will have obtained the written consent of the Hospital prior to filing a lawsuit to collect the debt.

Discretionary Criteria. In addition to the above mandatory criteria regarding length of time and notice, the Hospital may take into account the following information when assessing whether or not to charge an account to bad debt:

1. Account guarantor has one or more accounts in bad debt;
2. Account guarantor by his/her actions has indicated that (i) normal processing would be unproductive, or (ii) an apparent lack of cooperation which is unlikely to change; and The accounts will be reviewed for the above criteria prior to agency assignment. Financial class is not a consideration when making judgment calls. The outside collection agency will undertake collection efforts for Hospital bad debts in accordance with established practices utilized within the industry and consistent with good collection principles.

Return Criteria

1. Collection agencies will return first assignment accounts without payment after twenty-four (24) months. These returned accounts will be reassigned by the Hospital as a second placement.
2. Collection agencies will return accounts that are second assignment accounts which are more than six (6) months old from the date of placement and without any payment having been received within the last one hundred twenty-one (121) days. These second assignment accounts will be closed and returned as collection efforts exhausted.
3. No further payments may be taken once the accounts are returned.
4. Second assignment accounts will be returned with an email stating return file includes accounts removed from the debtors' credit report and all collection efforts have ceased.
5. Returned second assignment accounts will be updated with an adjustment code in the A/R to clearly indicate that the claim has been returned as well as a note added to the account documentation.
6. Second assignment accounts will be returned to the accounts services coordinator for review quarterly.
7. In the event a patient submits a payment after the account is considered uncollectible, the payment will be posted to the account as recovery on a bad debt.

Collection Activities. Actions that can be taken to recover bad debts may include:

1. Selling debt to another party;
2. Reporting adverse information to a credit agency/bureau; and
3. Taking actions that require a legal or judicial process.

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