



<b>Policy/Procedure Title</b>	BAD DEBT POLICY AND PROCEDURE			<b>Policy #</b>	
<b>Manual Location(s)</b>	Business Office Manual	<b>Effective</b>	5/4/2017	<b>Page</b>	Page 1 of 4
<b>Department Generating Policy</b>	Patient Financial Services				
<b>Affected Departments</b>	All Departments				
<b>Prepared By</b>	Morgan Kear	<b>Date/Title</b>	6.13.2025, Revenue Cycle Director		
<b>Governing Board</b>	Judith Cooper	<b>Date/Title</b>	6.24.2025, Governing Board Chair		

## I. PURPOSE

The following policy and procedure is to be followed for billing and collecting of patient accounts. The purpose of the procedure is to establish a system whereby we will have constant knowledge of each account. It will provide a step by step procedure that will maintain constant contact with the responsible party for discharge through complete payment of the account, write-off, or charge-off.

## II. PROCEDURE

### A. Billing

1. In order to maintain familiarity and understanding of the patient's account. The business office representatives manage accounts based on financial class. The Business Office Representative (BOR) is responsible for the reconciliation of the claim from the third-party payor of the account. PFC follows the account after the initial bill has gone out through the final settlement from the third-party payor of the account.
2. Itemized Bills: Sent to insurance, worker's compensation, and private pay patients, upon request.
  - a. If the patient has insurance coverage, the designated Business Office Representative will follow up on each claim to the patient's insurance company to ensure timeliness of payment.
  - b. BOR and PFC have the authority to make a 30% courtesy discount for SELF PAY PATIENT ACCOUNTS ONLY. No additional discounts will be provided to patients that are covered by an insurance policy we are in contract with. BOR or PFC must consult with Revenue Cycle Director or CFO for extenuating circumstances.
  - c. If the patient is classified Private Pay, a first-time summary bill will be mailed to the patient or their guarantor at the appropriate billing cycle for date of discharge. The first-time bill states their responsibility. An itemized bill is sent upon request.
3. Monthly Statement: Sent on a cycle basis. This procedure is repeated approximately every twenty-eight (28) days until the account is paid, considered uncollectible, or written off.

### B. Collection

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1. Prior to Discharge: Every admission to the hospital must have the responsible party sign a “Statement of Financial Responsibility”.

2. Upon Inpatient or Discharge of Outpatient: With outpatient charges, attempt to collect copays, deductibles, coinsurances.

3. After Discharge or Outpatient Charges: Follow the billing procedure first with the patient bills, then with the monthly statements as follows:

a. Patient Accounts with No Insurance Coverage - After following the billing procedure with accounts where there was no payment or other action. ~~each step is noted by the Business Office Representative starting here:~~

(1) 1st Monthly Statement- Approximately 28 days - send statement.

(2) 2nd Monthly Statement- Approximately 56 days- send statement with appropriate message.

(3) 3rd Monthly Statement- Approximately 84 days- send statement with appropriate message.

a) 1<sup>st</sup> collection letter is sent in approximately 112 days - if there is no payment or arrangement made;

b) The final attempt to collect or make arrangements is the 2<sup>nd</sup> collection letter. It is sent in approximately 140 days on red paper indicating they have 14 days to respond before next steps are taken.

(4) The Patient Financial Consultant will work the account from the first statement until the account is deemed uncollectible. If the Patient Financial Consultant is unsuccessful in setting up an acceptable payment plan, the account will be placed on the collection’s spreadsheet.

(5) Accounts are listed for Collection Write-Off- The report lists the patient's account number, name, date of write-off, and amount of write-off.

b. Patient Accounts with Insurance Coverage, if Insurance Pays and there is a Balance Due:

(1) 1st Monthly Statement- shows the total amount of the bill, how much the insurance paid, and the balance due from the patient. Approximately 28 days - send statement.

(2) 2nd Monthly Statement- Approximately 56 days- send statement with appropriate message.

(3) 3rd Monthly Statement- Approximately 84 days- send statement with appropriate message.

a) 1<sup>st</sup> collection letter is sent in approximately 112 days - if there is no payment or arrangement made

b) The final attempt to collect or make arrangements is the 2<sup>nd</sup> collection letter. It is sent in approximately 140 days on red paper indicating they have 14 days to respond before next steps are taken.

c) The FFY 2021 IPPS final rule clarifies that any patient payment towards the bad debt must restart the 120-day collection period, so I propose that the policy language clarify that the 120-day clock restarts with any patient payment, whether nominal or not.

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4. On an ongoing basis, the Patient Financial Consultant will monitor patients who consistently do not pay their bills and yet are regularly visiting the hospital. The Patient Financial Consultant will keep the Revenue Cycle Director apprised of problem situations. The revenue cycle director will be responsible for informing appropriate persons.

### C. Financial Arrangements - Credit Policy

1. Financial Arrangements – Following is a guide for establishment of a payment schedule for accounts.

<b>Amount Owed</b>	<b>Payment Arrangement</b>	<b>Time Period</b>
<b>Under \$250</b>	<b>Minimum \$25.00 per month</b>	<b>Up to 6 months</b>
<b>\$251 - \$500</b>	<b>Minimum \$50.00 per month</b>	<b>Up to 7 months</b>
<b>\$501 - \$1000</b>	<b>Minimum \$85.00 per month</b>	<b>Up to 12 months</b>
<b>\$1001 - \$5000</b>	<b>Minimum \$100.00 per month</b>	<b>Up to 18 months</b>
<b>\$5001 or Greater</b>	<b>Minimum \$200.00 per month</b>	<b>Up to 24 months</b>

**The payment plan guidelines for balances over \$5,000.00 should be divided by 24 monthly installments. Payment plans that do not meet the minimum amount must be approved by the ~~Business Office Manager~~ Revenue Cycle Director or Chief Financial Officer.**

If patient fails to follow through on their monthly payment agreement, then each step taken is noted by the Patient Financial Counselor.

2. General Credit Policy- Try to get the responsible party to agree to a specific payment plan. If patient states no payment can be made at this time, allow one (1) to three (3) months grace, depending on the situation. Patient must contact us at that time to inform us of the status.
3. Financial Assistance- A patient can apply for Financial Assistance. See Criteria and Plan of Action for Financial Assistance Program.

### D. Write-Off Procedure - Accounts reviewed by the Patient Financial Consultant every month.

1. Accounts to be written off to the Collection Agency, Bankruptcy, and Financial Assistance Write-Offs are listed separately.

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2. The report lists the patient's account number, name, date of write-off, and amount to be written off, as well as the type of write-off.

3. The Patient Financial Consultant shall note on each patient billing the amount written off, date of write-off, and type of write-off.

**E. Other Items**

1. Record insurance rejections, effective dates of bankruptcy, and patient agreements-to-pay in the computer under the patient's account. Each entry is dated and initialed by the individual concerned with the action taken.

2. Check accounts in computer by Guarantor including Collection Write-Offs before signing a receipt "Paid in Full" or accepting a check marked "Paid in Full".

3. The Hospital will make a reasonable attempt to collect deductibles and copayments from all patients.

4. Business Office Representative will track claim denials on a report and submit monthly to the Revenue Cycle Director. Denials will be sorted by reason, biller, and department Revenue Cycle Director will review denials prior to write-off.

Note: Any special deviations from this procedure should be brought to the attention of the Revenue Cycle Director, Chief Financial Officer, or Chief Executive Officer.

**ATTACHMENT (S)**

- None

**REFERENCE (S)**

- None

<b>Original Effective Date:</b>	5/4/2017				
<b>Reviewed and/or Revised Dates</b>					
	<b>1<sup>st</sup></b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>	<b>4<sup>th</sup></b>	<b>5<sup>th</sup></b>
<b>Review Date:</b>	1/16/2019	10/12/2020	6/13/2025		
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<b>Supersedes:</b>	5/4/2017		1/16/2019		
<b>By:</b>	M. Prante	M. Prante	M. Kear		