



NORTHERN INYO HEALTHCARE DISTRICT NON-CLINICAL POLICY AND PROCEDURE

Title: Bad Debt		
Owner: Chief Financial Officer-Interim CEO	Department: Fiscal Services	
Scope: Revenue Cycle Team		
Date Last Modified: 12/16/2022	Last Review Date: 01/19/2023	Version: 2
Final Approval by: NIHD Board of Directors	Original Approval Date: 10/2002	

PURPOSE:

The purpose of the Policy is to comply with and provide information regarding the billing and collection of patient debt, pursuant to the California Health and Safety Code, the Federal Patient Protection and Affordable Care Act; to define the policy for billing and collection of accounts and to ensure reasonable collection efforts are administered. The following policy and procedures are 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.

DEFINITIONS:

Bad Debts: Bad debts are amounts considered to be uncollectible from accounts and notes receivable which are created or acquired in providing services. "Accounts receivable" and "notes receivable" are designations for claims arising from rendering services and are collectible in money in the relatively near future.

Allowable Bad Debts: Allowable bad debts are bad debts of the provider resulting from uncollectible deductibles and coinsurance amounts and meeting the criteria set forth in Section 308 of the CMS Provider Reimbursement Manual. Allowable bad debts must relate to specific deductibles and coinsurance amounts.

Contractual Allowances or Discounts: Contractual allowances or discounts are the excess of the hospital's normal charge for healthcare services over the payment received from third party payors under contractual agreements.

Policy Discounts: Differences between revenue recorded at established rates and amounts realizable for services provided to employees (i.e. Prompt Pay Discounts).

Charity Allowances: Charity allowances are reductions in charges made by the provider of services because of the indigence or medical indigence of the patient.

Deductible and Coinsurance Amounts: Deductible and coinsurance amounts are amounts payable by beneficiaries for covered services received from providers of services, excluding medical and surgical services rendered by physicians and surgeons.

Medically Necessary: Health care services or supplies needed to diagnose or treat an illness, injury, condition, disease or its symptoms and that meet accepted standards of medicine.

Group Policy: The insurance policy purchased on behalf of the Guarantor by a larger (typically employer) group.

Guarantor: The person who is financially responsible for the patient's bill.

Patient/Guarantor Responsibility: Any balance due where the financially responsible party is the patient or patient's guarantor and not a third-party payer; also known as "Self-Pay."

Patient Statement or Statement: A bill for services rendered. This can be a summary of activity or a detailed bill listing each charge and applicable credit on a patient account.

Extraordinary Collection Action (ECA): Under Internal Revenue Code 501(r), an Extraordinary Collection Action is an action that a hospital may take against an individual in order to obtain payment for a bill for healthcare services provided to the individual and that are covered by Northern Inyo Healthcare District's (NIHD) Financial Assistance Charity Care Policy. More specifically, each of the following is an ECA:

- Selling an individual's debt to a third party, as permitted under California State Code;
- Reporting adverse information about the individual to a consumer credit reporting agency or credit bureau;
- Deferring or denying elective medically necessary care (non-emergent) because of an individual's nonpayment of a bill for previously provided care eligible for coverage under NIHD's Financial Assistance Charity Care Policy;
- Requiring a payment before providing elective medically necessary care (non-emergent) because of outstanding bills for previously provided care eligible for coverage under NIHD's Financial Assistance Charity Care Policy;
- Placing a lien on an individual's property;
- Foreclosing on an individual's real property;
- Attaching or seizing an individual's bank account or other personal property;
- Commencing a civil action against an individual or obtaining a writ of attachment; and
- Garnishing an individual's wages.

Financial Assistance: Assistance provided to patients for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for Medically Necessary Services who meet the eligibility criteria for such assistance. Financial assistance may not be granted for elective services.

Charity Care Policy: A separate policy that describes NIHD's financial assistance program including the criteria patients must meet in order to be eligible for financial assistance as well as the process by which individuals may apply for financial assistance. NIHD's Charity Care Policy can be obtained free of charge in NIHD's admissions areas, by contacting the Business Office, requesting by mail, or on the official website.

Agency Placement: Outside collection agencies are used to collect accounts in Bad Debt Collection Status. When an account is in Bad Debt Collection Status, it has not been deemed totally worthless and uncollectible.

POLICY:

In the interest of promoting financial stability and conserving resources for indigent care, it is the policy of NIHD to provide clear and consistent guidelines for conducting billing and collection functions in a manner that will ensure that debts owed by guarantors for medical services provided by NIHD are collected in a manner that promotes compliance with the law, patient satisfaction, and efficiency.

PROCEDURE:

Under state law, NIHD must allow a 180-day negotiation period, which is roughly equivalent to five monthly statements and a sixth statement containing a notice of transfer to a collection agency. NIHD will not send medical bills to a debt collection agency until the 180-day period has elapsed.

Payment on accounts will be pursued consistently, regardless of race, color, religion, national origin, age, sex, sexual orientation, gender identity or expression, disability, education, employment or student status, disposition, relationship, insurance coverage, community standing, or any other discriminatory differentiating factor.

Every patient or guarantor will be given reasonable time and communication to be aware and understand their financial responsibility. The guarantor will be held financially responsible for services provided and adequately documented. Understanding each guarantor's insurance coverage is the responsibility of the guarantor. Any self-pay liability secondary to insurance coverage is defined by the guarantor's group policy. NIHD will rely on the insurance carrier's adjudication for identifying self-pay balances.

A statement of hospital and physician services will be sent to the patient or guarantor in incremental billing cycles. Billing representatives may attempt to contact the patient or guarantor via telephone, mail, collection letter, text messaging, email, or any other appropriate method during the statement billing cycle in order to pursue collections. Collection efforts are documented in the patient's account.

A bad debt account is an uncollectible account resulting from the extension of credit. Payment defaults, or bad debts, may result from the following: non-payment of agreed upon payment arrangements, patients that cannot be contacted for payment, patients file for bankruptcy and lack sufficient assets to make payment, insolvent estates, and guarantors who refuse to pay.

When all feasible collection efforts have been exhausted on an account and it has been determined that the balance is uncollectible, the account shall be identified as bad debt and will go into a "bad debt" status in the hospital billing system. This generally will not occur until the account has aged for a period of 180 days.

General Credit Policy – An attempt to get the responsible party to agree to a specific payment plan. NIHD may extend credit based on information provided in the Billing and Collections.

Any and all accounts that are placed into the bad debt collection status will meet the following criteria:

- NIHD has made reasonable efforts to determine a patient's eligibility for financial assistance under NIHD's Financial Assistance Charity Care Policy
- NIHD will pursue collection actions for amounts outstanding when the patient qualified for Financial Assistance and partial relief was granted.

- As stated in NIHD’s Financial Assistance Charity Care Policy, a patient may qualify for an extended interest charity payment plan for any patient out-of-pocket fees. The payment plan shall consider the patient's income and the amount owed.
- Account with a “Return Mail” status is eligible for collection assignment after all good-faith efforts to identify a correct address have been documented and exhausted.
- The debt must be related to covered services and derived from self-pay status or from the remaining deductible and co-insurance amounts of insured patients.
- Sound business judgment established that the account was unlikely of recovery.
- The bad debt was held for at least 180 days from the date of the first bill.
 - If a patient currently has accounts with unresolved bad debt balances, NIHD reserves the right to send other open accounts with patient balances to collections earlier.
- If a Guarantor disagrees with the account balance, the Guarantor may request the account balance be researched and verified prior to account assignment to a collection agency.
- Accounts at a collection agency may be recalled and returned to NIHD at the discretion of NIHD and or according to state or federal laws and regulations. NIHD may choose to work the accounts to resolution with the Guarantor or a third party as needed, or place the accounts with another collection agency.
- Extraordinary Collection Action (ECA)-NIHD reserves the right to use ECA.
- After these items have been completed and no action to pay by the guarantor or patient was taken, the account(s) will be processed as follows:
 - All accounts with a balance of \$10.00 or greater will qualify for automatic placement with an outside collection agency.
 - All accounts with a balance of \$9.99 or less will qualify for automatic small balance write off.
 - After the outside collection agency determines that the debt is uncollectible or after the small balance write-off was completed, a form 1099M will be issued by February 28, if by mail, or March 31, if by electronic file to the IRS.

REFERENCES:

1. IRC 501-R
2. Medicare CMS Manual 15: The Provider Reimbursement Manual.

RECORD RETENTION AND DESTRUCTION:

Maintenance of records is for a minimum of fifteen (15) years.

CROSS REFERENCE POLICIES AND PROCEDURES:

1. Charity Care Program
2. Billing and Collections policy
3. Pricing Transparency Policy
4. Prompt Pay Discounts

Supersedes: v.1 Bad Debt Policy
