Applies to Entity: Patient Business Services

I. OBJECTIVE

The objective of this policy is to establish guidelines and standards to be used in Self Pay Collections from individuals who are uninsured or have a balance after insurance.

II. POLICY

It is the policy of Health First, Inc. to make every reasonable effort to collect the self-pay portion of an account within 120 days from the determination of self-pay. The account is moved to Bad Debt when reasonable collection efforts have been made, the account is determined to be uncollectible, all efforts have been documented, proper authorization had been obtained and all regulations have been met. All accounts should be forwarded to an outside collection agency except:

1. When legally prohibited
2. When payment at a future date is probable
3. When balance is less than collection agency minimum

Medicare patients with secondary coverage by a State Medicaid or Indigent program, which preclude additional payment beyond the Medicare payment by regulations, are not subject to any collection effort prior to transfer to Medicare Bad Debt. (Reference PRM Section 312 and 322)

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 Self Pay accounts, uncollectible deductibles and coinsurance amounts and meeting the criteria set forth in section 308 CMS PRM. Allowable bad debts must relate to Self-Pay accounts, specific deductibles and coinsurance amounts.

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

- **Courtesy Allowances**—Courtesy Allowances are reductions in charges by the provider in the form of an allowance to physicians, clergy, members of religious orders, and others as approved by the governing body of the provider, for services received from the provider. Reductions in
charges made as employee fringe benefits, such as hospitalization and personnel health programs are not considered courtesy allowances.

**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. These deductibles and coinsurance amounts, including the blood deductible, must relate to inpatient hospital services, post-hospital extended care services, home health services, out-patient services, and medical and other health services furnished by a provider of services.

**Procedure:**

1. **Reasonable collection effort** is defined as follows:

   A. Account balance is greater than $9.99
   
   B. All claims have been properly filed to appropriate third party liability or patient responsibility.
   
   C. If after reasonable and customary attempts to collect a bill, the debt remains unpaid for more than 120 days from the date the first bill/statement is mailed to the beneficiary, the debt may be deemed uncollectible if the following is documented. (Reference PRM section 310.2)
      - At least one (1) statement has been sent to the patient identifying patient liability.
      - All patient accounts are documented with collection attempts of a “letter collection series” to patient.
      - A final notification advising that the patient/responsible party of the assignment to the collection agency has been sent.
      - The account is deemed uncollectible at 120 days and assigned to Bad Debt and a Primary Bad Debt Agency.
   
   D. Accounts are not referred to a Bad Debt Collection Agency prior to 120 days from the first patient statement date.
   
   E. The debt must be related to covered services and derived from deductible and coinsurance amounts.
   
   F. If a beneficiary does not pay for services which are not covered, the Bad Debts attributable to these services are not reimbursable.
   
   G. The debt was actually uncollectible when claimed as worthless.
   
   H. Sound business judgment established that there was no likelihood of recovery at any time in the future.
   
   I. If a patient cannot comply with payment in full or a payment plan, a financial evaluation will be completed to determine if the patient is eligible for charity care.
J. The evaluation will be based upon the current year’s Department of Health and Human Services Federal Poverty Guidelines. See Financial Assistance Policy FN 3.02 for further explanation. Failure to comply with providing requested information will result in a decline for the request for Charity Care.

K. If a patient does not meet the requirements for charity care or does not respond to the normal and reasonable collection efforts noted above, then the account is transferred to a first place collection agency or attorney for continued collections. These accounts are recognized as a bad debt.

L. Uncollected delinquent accounts will be referred to an external collection agency or attorney for continued collections.

M. The first placement collection agency will close and return accounts with no collection activity after six months. These accounts will then be referred to a second placement agency.

N. The second placement collection agency will keep accounts until deemed uncollectible.

2. Uncollectible accounts are transferred to bad debt collection agency at least 120 days from the first statement date per Health-First, Inc. guidelines. Uncollectible is defined as follows:

   A. Patient/responsible party refuses to pay in full or establish an acceptable payment schedule. A payment schedule is based on the income and ability to pay of the guarantor.

   B. Attempts to locate the patient/responsible party have been exhausted.

   C. The account had been determined to be uncollectible due to the proper bankruptcy notification.