



Subject: Debt Collection	Effective Date: 08/15/2025	Manual: Patient Financial Services
---	---	---

POLICY

It is the policy of Southern Humboldt Community Healthcare District ("SHCHD", "District", "SoHum Health") to ensure compliance with all federal and state debt collection regulations.

Definitions

Charity Care: Free care.

Discount Payment: Any charge for care that is reduced but not free.

High Medical Costs:

"A patient with high medical costs" means a person whose family income does not exceed 400 percent of the federal poverty level. For these purposes, "high medical costs" means any of the following:

- Annual out-of-pocket costs incurred by the individual at the hospital that exceed the lesser of 10 percent of the patient's current family income or family income in the prior 12 months. Out-of-pocket costs means any expenses for medical care that are not reimbursed by insurance or a health coverage program, such as Medicare copays or Medi-Cal cost sharing.
- Annual out-of-pocket expenses that exceed 10 percent of the patient's family income, if the patient provides documentation of the patient's medical expenses paid by the patient or the patient's family in the prior 12 months. Out-of-pocket expenses means any expenses for medical care that are not reimbursed by insurance or a health coverage program, such as Medicare copays or Medi-Cal cost sharing.

PROCEDURE

(a) SHCHD shall not assign an account to collection or advance patient debt to a debt buyer, as defined in Section 1788.50 of the Civil Code, unless all of the following apply:

(1) SHCHD has found the patient ineligible for financial assistance, or the patient has not responded to any attempts to bill or offer financial assistance for 180 days.

(2) SHCHD includes contractual language in the sales agreement in which the debt buyer agrees to return, and SHCHD agrees to accept, any account in which the balance has been determined to be incorrect due to the availability of a third-party payer, including a health plan or government health coverage program, or the patient is eligible for charity care or financial assistance.

(3) The debt buyer agrees to not resell or otherwise transfer the patient debt, except to SHCHD or if the debt buyer is sold or merged with another entity.

(4) The debt buyer agrees not to charge interest or fees on the patient debt.

(5) The debt buyer is licensed as a debt collector by the Department of Financial Protection and Innovation.

(b) SHCHD shall be the only authority to assign an account to collection or advance patient debt to a debt buyer. A list of accounts may be prepared by SHCHD or an assigned third-party billing vendor once the accounts meet all needed criteria, but all balances shall be reviewed and approved for advance only by SHCHD.

(c) SHCHD has established standards and practices for the collection of debt and shall obtain a written agreement from any agency that collects hospital receivables that it will adhere to SHCHD's standards and scope of practices.

(1) This agreement shall require the affiliate, subsidiary, debt buyer, or external collection agency of SHCHD that collects the debt to comply with SHCHD's definition and application of a reasonable payment plan.

(2) This policy and any agreements shall not constitute a conflict with other applicable laws or regulations and shall not be construed to create a joint venture between SHCHD and the external entity, or otherwise to allow hospital governance of an external entity that collects hospital receivables.

(3) In determining the amount of a debt SHCHD may seek to recover from patients who are eligible under SHCHD's charity care policy or discount payment policy, SHCHD may consider only income and monetary assets as limited by California Code, Health and Safety Code - HSC § 127405.

(d) At the time of billing or assignment of an account to collections, SHCHD shall provide a written summary or applicable policy consistent with California Code, Health and Safety Code - HSC § 127410 and HSC § 127430 , which shall include information about the availability of the hospital's discount payment and charity care policies, including information about eligibility, as well as contact information

for a hospital employee or office from which the person may obtain further information about these policies.

(e) Before assigning an account to collections, or selling patient debt to a debt buyer, SHCHD shall send the patient account guarantor a notice with all of the following information:

(1) The date or dates of service of the account that is being assigned to collections or sold.

(2) The name of the entity the account is being assigned or sold to.

(3) A statement informing the patient how to obtain an itemized hospital bill from SHCHD.

(4) The name and plan type of the health coverage for the patient on record with SHCHD at the time of services or a statement that SHCHD does not have that information.

(5) An application for SHCHD's charity care and financial assistance.

(6) The date or dates the patient was originally sent a notice about applying for financial assistance, the date or dates the patient was sent a financial assistance application, and, if applicable, the date a decision on the application was made.

(f) SHCHD, any assignee of SHCHD, or another owner of the patient debt, including a collection agency or debt buyer, shall not commence a civil action against the patient for nonpayment before 180 days after initial billing by SHCHD.

(g) SHCHD shall not use income tax returns or pay stubs for collections activities.

(h) If a patient is attempting to qualify for eligibility under SHCHD's charity care or discount payment policy and is attempting in good faith to settle an outstanding account with SHCHD by negotiating a reasonable payment plan or by making regular partial payments of a reasonable amount, SHCHD shall not send the unpaid account to any collection agency, debt buyer, or other assignee.

(i) Extended payment plans offered by SHCHD to assist patients eligible under SHCHD's charity care policy, discount payment policy, or any other policy adopted by SHCHD for assisting low-income patients with no insurance or high medical costs in settling outstanding past due hospital bills, shall be interest-free.

(1) SHCHD extended payment plan may be declared no longer operative after the patient's failure to make all consecutive payments due during a 90-day period. Before declaring SHCHD extended payment plan no longer operative, SHCHD, collection agency, debt buyer, or assignee shall make a reasonable attempt to contact the patient by telephone and, to give notice in writing, that the extended payment plan may become inoperative, and of the opportunity to renegotiate the extended payment plan. The notice and telephone call to the patient shall be made to the last known telephone

number and address of the patient. Prior to SHCHD extended payment plan being declared inoperative, SHCHD, collection agency, debt buyer, or assignee shall attempt to renegotiate the terms of the defaulted extended payment plan, if requested by the patient.

(2) SHCHD, collection agency, debt buyer, or assignee shall not commence a civil action against the patient or responsible party for nonpayment prior to the time the extended payment plan is declared to be no longer operative.

(3) If the patient fails to make all consecutive payments for 90 days and fails to renegotiate a payment plan, this subdivision does not limit or alter the obligation of the patient to make payments on the obligation owing to SHCHD pursuant to any contract or applicable statute from the date that the extended payment plan is declared no longer operative, as set forth in subdivision

(j) The period described in (a)(1) of this policy shall be extended if the patient has a pending appeal for coverage of the services, until a final determination of that appeal is made, if the patient makes a reasonable effort to communicate with the hospital about the progress of any pending appeals.

(1) For purposes of this subsection, "pending appeal" includes any of the following:

(A) A grievance against a contracting health care service plan.

(B) An independent medical review.

(C) A fair hearing for a review of a Medi-Cal claim.

(D) An appeal regarding Medicare coverage consistent with federal law and regulations.

(k) For further information on provisions related to California Code, Health and Safety Code - HSC § 127405, please reference SHCHD's Charity Care, Financial Assistance, Payment Plans, and Discounted and Extended Payment Plans Policy.

(l) This policy does not diminish or eliminate any protections consumers have under existing federal and state debt collection laws, or any other consumer protections available under state or federal law.

REVIEWED BY:

Revenue Cycle Manager
Health Information Management
Chief Quality and Compliance Officer

REFERENCES:

California Code, Health and Safety Code - HSC § 127405 (e)(3)

California Code, Health and Safety Code - HSC § 127425

California Code, Health and Safety Code - HSC § 127426

California Code, Health and Safety Code - HSC § 127430