



Origination 10/1996

Approved 10/2025

Last Revised 10/2025

Policy Area **Patient Financial Services**

Bad Debt

Policy:

It is the policy of San Gorgonio Memorial Hospital to make every reasonable effort to collect all monies owed the hospital prior to collection agency referral. Self-Pay accounts are worked for a pre-determined amount of time and are then placed with a collection agency. Each account is individually reviewed prior to placement with the collection agency.

Interdepartmental Team Members:

- Administration
- Finance
- Patient Financial Services
- Patient Access

Procedure:

1. Using all information gathered at the time of admission, as well as any additional information obtained post discharge, the Patient Financial Services can determine the ability to collect the account. Any information obtained from income tax returns, paystubs, or monetary assets documentation received for the discount payment or charity care eligibility determinations cannot be used for collection activities. Some potential determinants of bad debt accounts may include:
 - Moved, no forwarding address.
 - Telephone disconnected; no other number.
 - Fraudulent name, address and/or insurance information.
 - Payment plan default.
 - No response to inquiries for information.

- Failure to complete Charity care, Medicaid or other financial aid application
 - Prior history of bad debt
 - Administrative decision
2. Determination to send bad debts is facilitated in the following method:
 - Accounts are determined to be noncollectable by in-house staff
 - Accounts are reviewed by in-house staff for final approval prior to sending to the bad debt agencies (i.e. Financial Analyst; Director, collector, or revenue cycle staff).
 - IN accordance with state and federal regulations, each account will receive a series of 4 monthly billing statements, effective the date the account was determined to be a self pay status. If no reasonable response is received, or any effort made to resolve the account through charity care, discounts, and/or payment arrangements, a 'GoodBye letter' will be sent to the patient/guarantor to inform them that the account is being sent to a collection agency for further and advanced collection efforts. The name of the agency will be included in the letter.
 - The accounts are reviewed and approved for advancement to the collection agency by the Director of Patient Financial Services.
 3. Once the determination has been made to process account to bad debt, the following process will occur.
 - The amount of the monthly bad debt write off will be approved by the Chief Financial Officer (CFO).
 - Patient accounting staff will flag accounts for bad debt write off adjustment utilizing the Bad debt write off process in the electronic healthcare record (EHR) software system
 - The director will do a final review, ensuring the accounts are valid for write off and the amount of write off is within the margin allowable.
 - Lack of in-house staff follow through should warrant further work up prior to authorization of write off.
 4. Approval levels:
 - The monthly amount of the bad debt write off shall be approved by the CFO.
 - The accounts will be sent to the collection agencies by the end of the first week after month-end for prompt processing. The amount distributed to each agency is determined by the Director of Patient Financial Services.
 5. Copy of bad debt adjustments forwarded to the CFO monthly for review/tracking of total write off.
 6. Monies received on accounts in bad debt will be applied to the recovery account in

the General Ledger and applied to individual accounts through the cash posting process. All payments and adjustments received from the collection agency will be reconciled on a monthly basis by the Financial Analyst or other designated staff.

7. Agency account returns will be either referred for second placement or adjusted off the bad debt system.
8. The Patient Financial Services Director must approve any legal action to be taken by the agency.
9. Estate liens will be filled when stated in regulations (refer to state lien regulations).
10. In the event all collection activities listed have been exhausted and it has been determined by the collection agency and/or the Patient Financial Services Director that there are no other legally permissible and available payment sources, then the following action may be taken: For those cases which involve 1) a catastrophic bill amount, or 2) some other unusual or extenuating circumstance(s) that might otherwise lead to consideration for "Charity" status, the patient account(s) balances may be re-classified from "Bad Debt" status to "Charity" status. Some examples of such circumstances may include cases in which little to no estate assets exist, the patient is considered homeless, or the patient is deceased.
11. All reclassifications from Bad Debt to Charity status must be approved by the Director of Financial Services and the Chief Financial Officer. Additionally, for any reclassifications of \$50,000 or more, approval by the Chief Executive Officer must be obtained.

Resources:

- Collection agency reports
- Collection aging reports
- System or file documentation
- State Lien regulations

Supplies:

- Hospital Information System
- Agency reports

Productivity Standard:

All accounts transferred monthly

Quality Standard:

100% data accuracy

Approval Signatures

Step Description

Approver

Date

Policy and
Procedure
Committee

Gayle Freude: Director Med/
Surg/CM and SW and P&P
Chairperson

10/2025

Mayda Cox: Director
Financial Services

10/2025