

Qualifying Encounters for Bad Debt

SUMMARY/INTENT:

Accounts will be qualified for Bad Debt using established criteria as defined in this procedure.

II. DEFINITIONS:

- A. Bad Debt – Account balance that is deemed noncollectable.
- B. Payment Plan – A Palomar Health (PH) approved plan designed to provide patients with payment options.

III. PROCEDURE: COMPLIANCE - KEY STEPS:

A. Standards of Practice

- 1.Accounts will not be qualified for Bad Debt collection placement before the account is 180 days after initial billing.
- 2.Patient debt will be advanced to collections immediately after the account meets all bad debt qualification criteria, including (1) the account being at least 180 days from initial billing, (2) completion of reasonable collection efforts, and (3) issuance of the Final Notice "Goodbye Letter." The transfer to a collection agency will occur within 30 calendar days of meeting these criteria.
- 3.Patient debt will be advanced to collections under the authority of the Patient Financial Services (PFS) Manager or their designee. For balances \$50,001–\$99,999.99, the PFS Manager must approve the transfer. For balances \$100,000 or greater, the Director of PFS must approve the transfer. Automated bad debt transfers in Cerner occur under the

delegated authority of the Vice President of Revenue Cycle.

4. Palomar Health's collection practices comply with all state and federal requirements, including HSC § 127425 and 22 CCR § 96051.6. The hospital will:

- a. Provide an initial bill promptly after services are rendered or insurance adjudication is complete.
- b. Issue subsequent statements and collection letters in accordance with hospital billing cycles.
- c. Make reasonable efforts to contact patients regarding returned mail or updated addresses.
- d. Provide patients with a Final Notice ("Goodbye Letter") including required information before advancing debt to collections.
- e. Ensure that patient debt is not advanced to collections until at least 180 days after the initial bill and only after all reasonable collection efforts have been exhausted.
- f. Transfer accounts to collections only under the authority of the PFS Manager or Vice President of Revenue Cycle, as outlined in the manual approval process.
- g. Comply with all applicable laws, including providing financial assistance applications and opportunities for patients to apply prior to referral to collections.

5. Information obtained from income tax returns, paystubs, or other monetary asset documentation collected for the purposes of determining eligibility for charity care or discounted payments will not be used for any debt collection activities. Such information will be used solely for evaluating financial assistance eligibility in accordance with Palomar Health's Financial Assistance Policy.

B. Steps of Procedure

1. The following criteria must be met before an account will be transferred to Bad Debt:

- a. The debt must be determined to be patient responsibility.
- b. The balance due to Palomar Health must be \$15.00 or greater.
- c. Patient has received a Final Notice "Goodbye Letter".

i. The Final Notice will contain the following:

I. The date or dates of service of the bill that is being assigned to collections or sold.

II. The name of the entity the bill is being assigned or sold to.

III. A statement informing the patient how to obtain an itemized hospital bill from the hospital.

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

V. An application for the hospital's charity care and financial assistance.

VI. 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.

d. The provider must be able to establish that reasonable collection efforts were made as listed in Section 2 below.

e. Sound business judgment established that there was no likelihood that the debt would be recovered at any time in the future.

2.A reasonable collection effort must have been made before an account will be transferred to Bad Debt:

- a. A bill must have been issued on or shortly after discharge or death of the individual to party responsible for the patient's financial obligations (or following complete adjudication by patient's insurance).
- b. Subsequent billings and collection letters must have been issued in accordance with established guidelines.
- c. Efforts must be made to contact the patient on returned mail due to bad address (either in-house or through early-out agency).

3.Accounts can be assigned to bad debt through manual review or through automation in Cerner. Accounts manually assigned to bad debt will require the following approvals. Approvals may be documented in Patient Accounting notes by the authorizing personnel, or through a Patient Account Resolution Worksheet with the appropriate signatures. The criteria for manual review requirement are:

- a. Balances between \$50,001 and \$99,999.99 - PFS Manager approval required
- b. Balances of \$100,000 or greater - VP Revenue Cycle approval required

4.Returning of Closed Accounts:

- a. The Hospital will direct its collection agencies to cease active collection on an account when the account meets the following criteria:
 - i. Account Balance < \$1,500.01
 - I. at collection agency at least 18 months
 - II. no payment within the last 6 months

III. not in a status code which indicates that the beneficiary or patient has agreed to a payment plan or is in legal status

ii.Account Balance > \$1,500.00

I.at collection agency at least 24 months

II. no payment within the last 6 months

III. not in a status code which indicates that the beneficiary or patient has agreed to a payment plan or is in legal status.

iii.The Hospital will request the outside collection agencies to provide a detailed log documenting ceased efforts on these accounts

iv. The Hospital will request the outside collection agencies to retain account collection detail for up to seven years from close date. Purged and archived accounts must be available for restoring and viewing of past collection activity.