



Policy Name	Bad Debt / Debt Collection Policy	Policy#: Origination Date:
Department: Patient Financial Services	Review Dates: Revision Dates:	
Scope: Organizational	Effective Date: 01/01/2026 BOD Approval Dates:	

PURPOSE:

The purpose of this policy is to classify bad debt patients, ensure consistent and appropriate referral of unpaid accounts to outside agencies, and comply with **HCAI Hospital Fair Pricing Program requirements**, including the protection of income documentation collected for **Charity Care or Discount Payment eligibility determinations**.

POLICY:

- Accounts with unpaid self-pay balances may be referred to an outside collection agency **only after all reasonable collection efforts have been made**.
- **Income documentation** provided for financial assistance (e.g., tax returns, paystubs) **cannot be used for debt collection purposes**.

PROCEDURE:

Responsibilities

The **Patient Accounting Manager** or **Director of Finance** is responsible for administering and maintaining this policy and ensuring compliance with HCAI and state regulations.

Procedure

- 1. Insurance Verification & Billing**
 - Verify eligibility and benefits at the time of service.
 - Bill insurance timely per contracts or statute.
 - Document all insurance responses (explanation of benefits, denials, etc.) in the patient account.
 - Accounts declared non-medically necessary cannot be assigned to bad debt unless the patient receives **written notice in advance**.
- 2. Government Program Verification**
 - Check Medicare, Medi-Cal, eligibility on all self-pay accounts.
 - Submit batch files at least monthly to eligibility vendors, document any unsuccessful attempts.
 - Update account information and complete appropriate billing after confirmation.



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3. Self-Pay Account Handling

- Patient Accounting Representatives manage self-pay accounts.
- Correct returned mail addresses, attempt telephone contact.
- Send open accounts to outside agency **only if unable to verify or collect after 180 days.**

4. Bad Debt Classification

- Accounts may be placed in collection status **180 days after the first statement.**
- Documentation of all collection efforts must be maintained.
- Accounts returned from collection agencies are recorded as **bad debt** only after being deemed uncollectible.

5. Billing and Collection Communications

- Patients will receive statements at 30, 60, 90, 120, 150 days, and a **Goodbye Letter at 180 days.**
- Communications are provided in **English and Spanish.**
- Patients with pending applications for **Charity Care, Discount Payment, Medi-Cal, or other government programs** will **not be referred to collections until eligibility is determined.**

6. External Collection Agencies

- Agencies must comply with SVH’s Charity Care and Discount Payment policies.
- Agencies must adhere to **AB 774, AB 1020, AB 532,** and HCAI requirements.
- Accounts may be returned to SVH in cases of **death, bankruptcy, or uncollectible status.**

7. Patient Protections & Compliance

- Income documentation for financial assistance **cannot be used in collection efforts.**
- Reasonable payment plans will be offered **prior to referral to collections.**
- All collection actions must be documented in the patient account.
- SVH protects **patient confidentiality and dignity,** meeting **HIPAA and HCAI requirements.**
- SVH complies with all applicable **federal, state, and local laws**
- Patients’ rights to financial assistance and fair billing are always maintained



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REFERENCES:

HSC § 127405, 22 CCR § 96051.6, HCAI guidance.

AUTHORS/REVIEWERS:

Patient Accounting Manager
Chief Financial Officer

APPROVALS:

Policy & Procedure Team:
The Board of Directors: