

SONOMA SPECIALTY HOSPITAL

POLICY AND PROCEDURE

DEPARTMENT: ADMINISTRATION

SUBJECT: BAD DEBT

APPROVAL DATE: 5/2023

POLICY:

It is the policy of Sonoma Medical Center (SSH) to ensure that debts owed by patients for medical care delivered by SSH are collected in a timely manner. Payment for such debts will be pursued according to uniform criteria and procedures applicable to all SSH patients who have not qualified for financial assistance under our Charity Care Policy or as indigents.

GENERAL INFORMATION:

1. Active patient accounts are considered bad debts when they are reviewed by the Director of Revenue Cycle/Business Office Manager and deemed uncollectible.
2. An account is generally considered uncollectible when it meets the following criteria:
 - A. Balance is patient responsibility and no payment has been received and no financing could be arranged to pay the account balance. Additionally, the responsible party has been sent at least three monthly statements, a phone call or attempt to contact has been made, and the account is one hundred twenty (120) days or greater from the date the first statement was sent
 - B. Third Party carrier has denied (in writing) responsibility for any payment on the account and the collector has documented patient refusal for payment or financing.
 - C. Timely filing denial has been received and is justified
 - D. Notification that patient is deceased and does not have an Estate
3. Extended Payment Plans:
 - A. Per SSH financial hardship policy, extended payment plans arranged for eligible patients are interest free
 - B. The 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
4. A collection agency may be used to obtain payment. Collection agency must comply with and is subject to applicable federal state and local law, including 501(r) requirements.
5. Bad Debt vs. Contractual vs. Administrative Adjustment:
 - A. Bad Debt- Full expected amount of payment not received
 - B. Contractual- Difference between Gross Charges and Expected Payment based on contract with payer
 - C. Administrative Adjustment - A Non-Allowable charge or an error on SSH's part (usually agreed upon by Director/Business Office Manager and or CFO/CEO)

PROCEDURE:

1. CBO Employee determines the account to be uncollectible, based on the established criteria
2. CBO employee prepares a bad debt write off form and attaches proper support and marks the account with a note of recommendation.
3. Write off form and attachments are given to the Director of Revenue Cycle/Business Office Manager to review.
4. All balances < \$15,000 are approved by Director of Revenue Cycle/Business Office Manager
5. All balances > \$15,000 are approved by CFO/CEO
6. Once all approvals are received, the account is written off to Bad Debt