



Debt Collection Standards and Bad Debt Policy

I. Scope

Temecula Valley Hospital Patient Financial Services

II. Purpose

To define the standards and practices for the collection of patient debts, and to define the conditions when accounts can be written off to Bad Debt.

III. Policy – Collection of Patient Debts

- A. It is the policy of Temecula Valley Hospital (TVH) to ensure that the process of collecting amounts due from Patients and their Guarantors is done in an efficient and legally compliance manner.
- B. **Definitions.**
 - 1. **Financial Assistance:** Financial Assistance means assistance provided to financially qualified (i) Self-Pay Patients; and (ii) High Medical Cost Patients, both as defined in TVH's California Charity Care Procedure.
 - 2. **Guarantor:** A person who has legal financial responsibility for a Patient's health care services.
 - 3. **Payment Plan:** An extended interest-free payment plan that is negotiated between TVH and the Patient for any Patient out-of-pocket fees, as set forth in Section III.P below.
 - 4. **Patient:** A Patient is an individual who received services from TVH. All references to a Patient in this Policy shall be deemed to include the Guarantor.
- C. **Collection from Patients.** TVH shall seek to collect amounts due from Patients in a manner consistent with this Policy.

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- D. Authority to Advance Account to Collection. TVH shall forward accounts to a collection agency using the process approved by the Director of Central Business Office or appropriate designee.
- E. **Collection Agency Adherence to Policy**. Any collection agency that pursues amounts due from Patients shall agree in its contract with TVH to adhere to this Policy.
- F. **Notices to Patients**: Prior to commencing collection activities against a Patient, TVH or any collection agency shall provide the Patient or Guarantor with the following written notices:
 - 1. State and federal law require debt collectors to treat you fairly and prohibit debt collectors from making false statements or threats of violence, using obscene or profane language, and making improper communications with third parties, including your employer. Except under unusual circumstances, debt collectors may not contact you before 8:00 a.m. or after 9:00 p.m. In general, a debt collector may not give information about your debt to another person, other than your attorney or spouse. A debt collector may contact another person to confirm your location or to enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission by telephone at 1-877-FTC-HELP (382-4357) or online at www.ftc.gov. Nonprofit credit counseling services may be available in your area.
 - 2. A holder of this medical debt contract is prohibited by Section 1785.27 of the Civil Code from furnishing any information related to this debt to a consumer credit reporting agency. In addition to any other penalties allowed by law, if a person knowingly violates this section by furnishing information regarding this debt to a consumer credit reporting agency, the debt shall be void and unenforceable.
- G. **Sale of Patient Debt**. TVH shall not sell patient debt to a debt buyer, as defined in Section 1788.50 of the California Civil Code, unless all of the following apply:
 - 1. TVH 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. TVH includes contractual language in the sales agreement in which the debt buyer agrees to return, and TVH 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 Financial Assistance.

3. The debt buyer agrees to not resell or otherwise transfer the Patient debt, except to the originating hospital or a tax-exempt organization described in Health and Safety Code Section 127444, 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.

H. **Goodbye Letter.** Before assigning a bill to collections, or selling patient debt to a debt buyer, TVH shall send a Patient a notice with all of the following information:

1. The date or dates of service of the bill that is being assigned to collections or sold.
2. The name of the entity the bill is being assigned or sold to.
3. A statement informing the Patient how to obtain an itemized hospital bill from TVH.
4. The name and plan type of the health coverage for the Patient on record with TVH at the time of services or a statement that TVH does not have that information.
5. An application for 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.

I. **Prohibition on Credit Reporting.** TVH, any collection agency operating on its behalf, or any owner of Patient debt, shall not report adverse information about a Patient debt to a consumer credit reporting agency.

J. **Restrictions Commencing Civil Action:** TVH, any collection agency operating on its behalf, or any owner of Patient debt, shall not commence civil action against the Patient for nonpayment before 180 days after initial billing.

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- K. Restrictions on Certain Collection Activities by TVH.** TVH shall not, in dealing with Patients eligible for Financial Assistance, use wage garnishments or liens on any real property as a means of collecting unpaid hospital bills.
- L. Restrictions on Certain Collection Activities by Collection Agencies and Debt Buyers.** A collection agency or debt buyer shall not use any of the following means of collecting unpaid hospital bills:
- 1.** A wage garnishment, except by order of the court upon noticed motion, supported by a declaration filed by the movant identifying the basis for which it believes that the Patient has the ability to make payments on the judgment under the wage garnishment, which the court shall consider in light of the size of the judgment and additional information provided by the Patient before or at the hearing concerning the Patient's ability to pay, including information about probable future medical expenses based on the current condition of the Patient and other obligations of the Patient.
 - 2.** Notice or conduct a sale of any real property owned, in part or completely, by the Patient.
 - 3.** Liens on any real property.
- M. Exceptions.** The requirements of Sections K and L do not preclude TVH, collection agency, debt buyer, or other assignee from pursuing reimbursement and any enforcement remedy or remedies from third-party liability settlements, tortfeasors, or other legally responsible parties.
- N. Suspension of Collection Activity.** TVH and any collection agency will suspend collection actions if a completed Financial Assistance Application, including all required supporting documentation, is received.
- O. Refunds to Patients.** If TVH determines that a Patient qualifies for assistance under the Charity Care Procedure, has paid TVH more than the amount that should be due from that Patient, and the amount overpaid by the patient is more than five dollars (\$5.00), TVH shall refund the amount paid to TVH in excess of the amount due including interest at the rate provided in the California Code of Civil Procedure Section 685.010 from the date of TVH's receipt of the overpayment.
- P. Payment Plans.**

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1. **Term of Payment Plans.** Patients shall have the opportunity to negotiate an interest-free Payment Plan that would allow the Patient to pay their balance over time. If TVH and the Patient are not able to agree on the terms of a payment plan, the default Payment Plan shall be monthly payments that are not more than 10 percent (10%) of a Patient's family income for a month, excluding deductions for essential living expenses. "Essential living expenses" means, for purposes of this subdivision, expenses for any of the following: rent or house payment and maintenance, food and household supplies, utilities and telephone, clothing, medical and dental payments, insurance, school or child care, child or spousal support, transportation and auto expenses, including insurance, gas, and repairs, installment payments, laundry and cleaning, and other extraordinary expenses.

 2. **Declaring Payment Plan no Longer Operative.** The extended Payment Plan may be declared no longer operative after the Patient's or Guarantor's failure to make all consecutive payments due during a 90-day period starting with the first day that the Patient misses a payment. Before declaring the extended Payment Plan no longer operative, TVH shall make a reasonable attempt to contact the Patient or Guarantor by telephone and to give notice in writing at least sixty (60) calendar days after the first missed payment that the extended Payment Plan may become inoperative, and of the opportunity to renegotiate the extended Payment Plan. Prior to the hospital extended Payment Plan being declared inoperative, TVH shall attempt to renegotiate the terms of the defaulted extended Payment Plan, if requested by the Patient or Guarantor. The Patient shall be given at least thirty (30) calendar days, starting from the date the written notice of the missed payment was sent, to make a payment before the extended Payment Plan is declared inoperative. For purposes of this Section, the notice and telephone call to the Patient or Guarantor may be made to their last known telephone number and address. If a Payment Plan is declared inoperative, and the Patient has qualified for Financial Assistance, TVH and any collection agency shall limit the amount it seeks from the Patient or Guarantor to the amount the Patient was responsible to pay after any discounts.
- Q. Disputes Regarding Patient Balance.** If a Patient or Guarantor disagrees with an account balance, the Patient or Guarantor may request the account balance be researched and verified prior to placement of the account with a collection agency by contacting the Central Business Office at 866-221-0601.

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R. Prohibition On Use Of Documentation Collected From Financial Assistance

Application. Documentation of income (including income tax return or paystubs) or any other information obtained from a Patient or Guarantor during the process of determining their eligibility for Financial Assistance shall not be used for collections activities; provided, however, that this does not prohibit the use of information obtained by TVH or any of its agents or collection agencies independently of the eligibility process for Financial Assistance.

S. RETENTION OF COLLECTION RECORDS: TVH will maintain all records relating to money owed to TVH by a Patient or the Guarantor for five years, including, but not limited to, all of the following:

1. Documents related to litigation filed by the TVH;
2. Contracts and significant records by which TVH assigns or sells medical debt to a third party;
3. A list, updated at least annually, of every person, including the person's name and contact information, that meets at least one of the following criteria:
 - a. The person is a debt collector to whom TVH sold or assigned a debt that Patient owed to TVH; and
 - b. The person is retained by TVH to pursue litigation for debts owed by Patients.

IV. Policy – Bad Debt

A. It is the policy of TVH to transfer an account balance for which the patient has been determined to be responsible to Bad Debt as soon as reasonable collection efforts have been exhausted and the account has been determined to be uncollectible, providing all efforts are documented. For Medicare accounts, this includes meeting all criteria to qualify the account to be claimed on the Medicare Bad Debt Report. All accounts with a patient balance should be forwarded to an outside collection agency except:

1. When legally prohibited
2. When payment at a future date is probable
3. When the balance is less than collection agency minimum

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4. When there are specific state requirements, the policy will comply with any and all requirements—i.e., California Dept of Public Health, SB 1276: Hospital Fair Billing Policies

All amounts transferred to bad debt must have proper signature authorization as defined in this policy.

B. Reasonable Collection Effort is defined as follows:

1. Self-Pay accounts pursued through an early collection arrangement with a collections vendor.
2. Self-Pay Accounts that have not been pursued through an Early Collection Arrangement and have balances that are over \$10,000 but less than \$25,000 should reflect the following collections attempts:
 - a. At least two (2) statements have been sent to the patient/responsible party. Statements are generated internally and also by early out collection vendor.
 - b. Mail returns and address corrections have been properly researched and the patient/responsible party has received at least two (2) statements at the most current address. If a new address is discovered, the patient/responsible party address will be changed and two (2) statements will be sent. If a new address is not discovered, the account will follow the returned mail policy for submission to the appropriate party for signature and transfer to bad debt.
 - c. All claims have been properly filed to appropriate party (third party liability or patient responsibility). All payments and adjustments have been posted and all collection efforts have been exhausted prior to transfer to Bad Debt.
 - d. All accounts must have been returned and cancelled from any outsourcing vendor.
 - e. A final notification advising the patient/responsible party of assignment to a collection agency has been sent.
 - f. If there remains a possibility for collection from the third party liability, the account may not be transferred to Bad Debt.

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g. Accounts with limited benefits and/or no insurance payment due to benefits exhausted will have a 60% adjustment applied to the account prior to sending to bad debt.

3. Self Pay Accounts that have not been pursued through an Early Collection Arrangement and have balances greater than \$25,000 should reflect the same requirements as above with the addition of:

a. Telephone contact with the patient/responsible party has been attempted.

C. Uncollectible is defined as follows:

1. Insurance has denied payment, a legal review has been done as appropriate, all appeals have been denied **and the patient has been determined to be responsible for payment of the account balance.** All collection efforts have been exhausted on the account. The following are examples:

a. Insurance terminated prior to admission

b. Premium on private insurance was not paid

c. Pre-existing condition on a new policy

d. Any other reason clearly stated that could not be appealed.

2. Patient/responsible party refuses to pay in full or to establish an acceptable payment schedule according to hospital policy.

3. Attempts to locate the patient/responsible party have been exhausted.

4. All government assistance and/or charity programs have been applied for and denied. Attempts to collect from the patient/other third-party payers have proven futile.

D. The Medicare Bad Debt Reports:

The reports are generated by Corporate Financial Reporting team on an annual basis, reviewed and updated by the Corporate Revenue Cycle Department and then provided to the Corporate Reimbursement Team.

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Monthly reports are produced in the Data Warehouse and utilized by the regional business offices to verify the appropriateness of accounts being placed on the report.

E. Authorization Requirements for Write Offs

Addendum A, in hardcopy or the system electronic version, is the form to be used for securing appropriate approvals for accounts that have not been pursued through an Early Collection Arrangement. The appropriate signature authorizations should be obtained based on the signature levels indicated in this policy.

Signature authorization and approval for bad debt transfers are as follows:

Less than \$15,000	No approval required
\$15,000 - \$50,000	Business Office Director/Designee
\$50,001 - \$100,000	Vice President of Patient Financial Services/Designee
Over \$100,000	Vice President of Acute Care Finance