



Entities: (check all that apply) <input checked="" type="checkbox"/> Cottage Health <input checked="" type="checkbox"/> SBCH <input checked="" type="checkbox"/> GVCH <input checked="" type="checkbox"/> SYVCH <input type="checkbox"/> PDL <input type="checkbox"/> AC <input type="checkbox"/> CCN			
Policy Title:	Bad Debt		
Policy Number:	85450.04	Original Policy Effective Date:	11/1989
Last Review Date:	11/2024	Last Revision Date:	11/2024
Owner Title:	Vice President, Revenue Cycle	Owner Approval Date:	11/2024
Committee Approval:		Committee Approval Dates:	
VP Approval:	Vice President, Revenue Cycle	VP Approval Date:	11/2024
Departments Affected:	Revenue Cycle		

GOAL:

To ensure that bad debt accounts are handled consistently and appropriately. This policy will establish requirements and process for outstanding balances at the three Cottage Health hospitals in a manner that is consistent with the values of excellence, integrity and compassion.

Cottage Health and their designated agencies follow all state and federal regulations and guidelines in the collection of debt and adhere to the standards outlined in the Fair Debt Collection Practices Act (FDCPA), as well as IRS Regulations at 26 C.F.R. 1.501(r) and California's Fair Pricing Policies at Health and Safety Code section 127400. When vendor agencies act as an agent for Cottage Health, such vendor agencies shall act in accordance with Cottage Health policies, procedures and guidelines, as well as all applicable law.

POLICY:

Following the adjudication of a claim and receipt of insurance payment, accounts are moved to the "Self-Pay" status and the guarantor of the account is billed. For patients who have no insurance, the billing cycle begins with this step. As part of the routine billing cycle, guarantors are offered the option of a reasonable payment plan based upon family income and monetary assets. Please refer to the following policies:

- 8545.01: Financial Assistance Policy
- 8545.02: Establishing an Acceptable Payment Plan
- 8545.03: Self Pay Guarantors Discount Parameters

Once the guarantor becomes the responsible party for remaining charges, a series of six statements are sent over a 180-day period, with a new statement every 30-days. The statements include escalating warnings to inform the guarantor of their delinquent status, and provide all notice required by applicable law as to Cottage Health's intended collection activities. A "Good-bye Letter" is sent to the guarantor during the sixth billing cycle to inform them that their unpaid accounts will be sent to collection vendor. After 180-days following the later of either the guarantor's first post-discharge billing statement, or the date on which the guarantor becomes the responsible party for remaining charges, or 30-days after the sixth statement is mailed (if later than the applicable 180-day period), accounts will then automatically transfer to the external collection agency if no payment has been made under the supervision and direction of the Vice President

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of Revenue Cycle. Transfers to the collection agency occur daily. Accounts will not be transferred to collection if they fall within one of the below categories:

- Guarantor is on a payment plan
- Approved charity (of any type)
- Claims when undergoing quality review
- Claims marked for bankruptcy
- Disputed balances undergoing review
- Claims undergoing any other revenue cycle review

Per regulatory guidelines, including IRS Regulations at 26 C.F.R. 1.501(r) and California's Fair Pricing Policies, guarantors that lack insurance coverage, or guarantors that provide information that they may be a guarantor with high medical costs, Cottage Health and any of its vendor agencies including a collection agency, will not report adverse information to a consumer credit reporting agency or commence civil action against the guarantor for nonpayment at any time prior to 180 days after the date of the first statement mailed to the guarantor. To the extent any action taken by Cottage Health, or its vendor agencies would be considered an "Extraordinary Collection Action" under 26 C.F.R. 1.501(r)-1, Cottage Health and its vendor agencies will comply with all notice requirements outlined at 26 C.F.R. 1.501(r)-6.

If a guarantor is attempting to qualify for eligibility under the Cottage Health Financial Assistance Policy or discount payment policy (collectively Policy 8545.01) and is attempting in good faith to settle an outstanding bill with the hospital by negotiating a reasonable payment plan or by making regular partial payments of a reasonable amount, Cottage Health will not send the unpaid bill to any collection agency (refer to Policy 8545.02, Establishing a Payment Plan) or use information obtained from income tax returns, paystubs, or the monetary asset documentation collected for the discount payment or charity care eligibility determinations cannot be used for collection activities. In dealing with guarantors eligible under the Cottage Health Financial Assistance Policy (Policy 8545.01), Cottage Health will not use wage garnishments or liens on primary residences as a means of collecting unpaid hospital bills.

In determining the amount of a debt Cottage Health can seek to recover from guarantors who are eligible under the Cottage Health Financial Assistance Policy (Policy 8545.01), Cottage Health will comply with all requirements and procedures outlined in the Financial Assistance Policy.

A collection agency or other assignee that is not a subsidiary or affiliate of Cottage Health will not, in dealing with any guarantor under the Cottage Health Financial Assistance Policy (Policy 8545.01), use as a means of collecting unpaid accounts, any of the following:

- (A) A wage garnishment
- (B) Lien
- (C) Notice or conduct a sale of the guarantor's primary residence during the life of the guarantor or his or her spouse, or during the period a child of the guarantor is a minor, or a child of the guarantor who has attained the age of majority is unable to take care of himself or herself and resides in the dwelling as his or her primary residence.

Collection agencies may seek to recover any payments made directly to the patient/guarantor from third-party liability settlements, tortfeasors, or other legally responsible parties.

Notwithstanding anything contained in this Policy, Cottage Health will comply with the billing and collection procedures and requirements outlined in the Financial Assistance Policy (Policy 8545.01).

Disputing a Financial Assistance Determination

In the event of a dispute, the affected individual may request a review by Cottage Health's Vice President of Revenue Cycle. This request for review may be emailed to CottageBilling@sbch.org or submitted by telephone at (805) 879-8926.

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Key Words:			
Related Policies:			
Previous Review Dates:	12/90, 12/93, 03/97, 08/00, 03/01, 03/03, 12/08, 8/23	Previous Revision Dates:	03/99, 08/00, 02/05, 02/06, 01/07, 12/08, 12/11, 11/17, 11/19, 6/22, 11/24
Superseded:			