

SUBJECT: Bad Debt for Uncollectible Patient Liabilities, Determination and Processing of		
The following MemorialCare affiliates have adopted this: <input checked="" type="checkbox"/> Policy & Procedure or <input type="checkbox"/> Policy (only) or <input type="checkbox"/> Procedure (only)	<input checked="" type="checkbox"/> MemorialCare Shared Services <input checked="" type="checkbox"/> Long Beach Medical Center <input checked="" type="checkbox"/> Miller Children’s & Women’s Hospital Long Beach <input checked="" type="checkbox"/> Orange Coast Medical Center <input checked="" type="checkbox"/> Saddleback Medical Center <input type="checkbox"/> MemorialCare Medical Foundation <input type="checkbox"/> Select Health Plan <input type="checkbox"/> Memorial Medical Center Foundation <input type="checkbox"/> Saddleback Memorial Foundation	REFERENCE: FP-240
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		EFFECTIVE: 11/08/2022
MANUAL: MC/Finance-Purchasing		
OWNER: Finance Department		

I. POLICY

- A. MHS is committed to providing high quality, affordable healthcare services to all patients. This policy establishes guidelines for each campus to follow to ensure the appropriate processing of uncollectible patient liabilities.

II. DEFINITIONS

- A. **Bad Debts** – Bad debts are amounts considered to be uncollectible from accounts and notes receivable which are created or acquired in providing services. “Accounts receivable” and “notes receivable are designations for claims arising from rendering services and are collectible in money in the relatively near future.
- B. **Deductible and Co-insurance Amounts** – Deductible and co-insurance amounts are amounts payable by patients for covered services, excluding medical and surgical services rendered by physicians and surgeons.
- C. **Guarantor** – The person legally responsible for the payment of the patient liability.
- D. **Non-collectable (Presumption of Non-collectability)** – If after reasonable and customary attempts to collect a bill, the debt remains unpaid after a minimum of 120 days from the date the first bill is mailed to the beneficiary with no likelihood of recovery at any time in the future, the debt may be deemed uncollectible.
- E. **Extraordinary Collection Activities** – Collection actions that require legal process such as liens, levies, foreclosures, garnishments, etc., sale of debt to another party and adverse credit reporting.

III. PROCEDURE

- A. Collection Process
 - 1. Once a balance has been identified as a patient responsibility, the account will be adjusted to accurately reflect the amount due. This will be accomplished by moving the amount due to the PATIENT RESPONSIBILITY FIELD (aka “Bucket”).
 - 2. A minimum of two data mailers/statements will be sent to the guarantor notifying them that the balance of the account is due. The Patient Accounting System will

automatically document in the patient comments field the date the letter was sent. An exception to this step is if the first data mailer is returned as a bad address or undeliverable. If the 1st data mailer is returned and the Patient Accounting Department's attempts to contact the patient are not successful, then the account will be forwarded to Collections.

3. After reasonable and customary collection efforts have been made and the patient liability remains outstanding, the Patient Accounting Department will process the account for referral to an outside Collection Agency. Each facility will maintain their own internal policy for processing patient accounts (i.e. signature authority, minimum balance) to be sent to outside Collection Agencies.
4. Once assigned, the Collection Agency will continue the collection efforts for the facility by using reasonable and customary collection efforts to receive payment for the patient liability.
5. Patients will be informed of the MHS Financial Assistance Policy at admission and in any written or oral communications regarding their bill. MHS will not engage in any extraordinary collection actions before making reasonable efforts to determine if the individual is eligible under the MHS Financial Assistance Policy.
6. The Collection Agency will provide reasonable and customary collection efforts on all assigned accounts. Once the Collection Agency deems that there is no likelihood of recovery anytime in the future, the Collection Agency will cease collection efforts. On a monthly basis, the Collection Agency will send one report identifying those accounts where collection efforts have ceased.
7. Upon receipt of the returned accounts, the following should occur:
 - a) Accounts will remain in Bad Debt status
 - b) The ZSBD t-code or other account coding method indicating that collection efforts have ceased will be posted to the account with a zero payment to identify the account as being uncollectible and the post date will indicate when the account was returned.