



SENECA HEALTHCARE DISTRICT POLICY & PROCEDURE

DEPARTMENT: FINANCE

POLICY TITLE: BAD DEBT

POLICY/REFERENCE #: FIN-015

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COMPLIANCE REQUIREMENT: Provider Reimbursement
Manual-1, Chapter 3, Sections 306-324

EFFECTIVE DATE:
8/5/2026

POLICY

Seneca Healthcare District (SHD) will make every reasonable effort to collect outstanding patient balances for services rendered by SHD. The balances will be deemed uncollectable and written off as bad debt after all efforts to collect have been exhausted. Including but not limited to; the account is aged a minimum of 180 calendar days, 6 patient statements including the Financial Assistance Application attached to the 4th statement, and Final Notice have been documented as sent to the patient/guarantor. All documentation provided for any discount payment and/or Charity Care determination will not be shared outside of the SHD Finance Department.

PROCEDURE

1. Purpose

The purpose of the bad debt policy is to provide guidelines for the collection of patient accounts receivable and the write off of balances deemed uncollectable; including amounts to be claimed as Medicare beneficiary bad debt.

2. Responsibilities

The SHD Finance Department, and their contracted vendor, are responsible for the collection of outstanding patient accounts receivable and for the process to determine them uncollectable; including balances to be claimed as Medicare beneficiary bad debt.

3. Policy for Bad Debt

a. Policy

- i. When all feasible collection efforts have been exhausted on an account and it has been determined that the balance is

uncollectable, the account will be identified as an eligible bad debt account. A bad debt account is an uncollectable account resulting from the extension of credit. Such payment defaults or bad debts may result from the following: non-payment of agreed upon payment arrangements, patients that cannot be contacted for payment, patients or insurance companies file for bankruptcy and lack sufficient assets to make payment, insolvent estates, and guarantors who refuse to pay.

b. Procedure

- ii. The outsourced Billing Office will issue six (6) statements over the 180-day period.

If a payment is received on the account the statement series will either discontinue for payment in full or generate an acknowledgment of payment.

- iii. If inadequate or no payment has been received from the guarantor/patient 180 days from balance assignment, the account will be transferred to SHD's contracted collection agency.

Accounts returned from the collection agency as uncollectable will be written-off from the patient accounting system and any Medicare beneficiary accounts will be added to the Medicare Bad Debt log and claimed on that fiscal year's Medicare cost report.

- iv. If any of the statements are returned due to insufficient address information, or other reasons, SHD will attempt to contact the guarantor/patient to obtain an updated address.
 - 1. If a valid address cannot be obtained after all reasonable efforts are made, the account may be deemed uncollectable and claimed as bad debt on the cost report.
- v. If the patient is deceased SHD or the contracted Billing Office will request a death certificate and make an attempt to contact the patient's family for estate reimbursement.
 - 1. If a death certificate or payment from the patient's family and/or estate cannot be obtained after reasonable efforts were made the account may be deemed uncollectable and claimed as bad debt on the cost report.

- vi. A thorough review of all eligible patient accounts will be done prior to approving transfer to the contracted collections agency by the SHD Finance Department.
- vii. Per Medicare Regulations (Provider Reimbursement Manual-1, Chapter 3, Sections 306-324) the following currently apply:

1. The debt must be related to covered services and derived from the deductible, coinsurance and co-pay.
2. Hospital must be able to establish that reasonable collection efforts were made.
3. The debt was actually uncollectable when claimed as worthless.
4. Sound business judgment established that there was no likelihood of recovery at any time in the future.
5. Medicare collection efforts must reflect the same efforts put forth for other payers.
6. Dual eligible beneficiary accounts (Medicare/Medi-Cal), with a billing denial from Medi-Cal, will receive no further collection efforts and will be added to the Medicare Bad Debt log upon receipt of the denial.

4. Enforcement

Violation of this policy may result in disciplinary action, up to and including termination as outlined in SHD's Compliance Policy, CMPL-005.