



Origination 3/29/2022  
Last Approved 3/29/2022  
Last Revised 3/29/2022  
Next Review 3/28/2025

Owner John Ordonez:  
IDS Admin Dir  
Patient Accounting  
Area BUSINESS  
MANAGEMENT  
Applicability Enterprise-wide,  
excluding PHP  
(Hospital-wide as  
applicable)  
Policy # E.85300.098

## Identifying Accounts for Bad Debt - E.85300.098

### APPLICATION:

PIH Health Whittier Hospital (PHWH), PIH Health Downey Hospital (PHDH), excluding PIH Health Good Samaritan Hospital (PHGSH), and PIH Health Physicians (PHP)

### PURPOSE:

To outline a procedure for identifying, evaluating and approving bad debt placement to collection agencies.

### DEFINITIONS:

None

### POLICY:

It is the policy of PIH Health Hospital to review and evaluate appropriate accounts for bad debt placement to collection agencies. Uninsured patients will be encouraged to apply for government programs or uncompensated care. If a payer has denied payment, in compliance with AB774, PIH will allow a reasonable period of time for the patient to file an appeal.

If the collection agency is assigned an account at an earlier point in time, the agency will agree not to report adverse information to a consumer credit reporting agency or commence civil action against the

patient for nonpayment at any time prior to 180 days after initial billing as a condition of contracting with PIH.

PIH will not garnish wages. It will however permit liens on homes or other real estate for the purpose of securing repayment at sale or refinancing when income exceeds 400% of FPL. Under certain circumstances when income does not exceed 400% FPL, PIH's collection agency may file a lien on a primary residence for a hospital bill that will not be exercised during the life of the patient or his/her spouse and/or as otherwise outlined by state law.

If PIH's collection agency identifies a patient that qualifies for PIH's uncompensated care program but that failed to apply, it will return the account to PIH and recommend an uncompensated care write-off. In addition it will remove delinquencies from the patient's credit report.

## PROCEDURE:

### Collection Representative Agency Liaison

- A. Review appropriate accounts to determine if they are eligible for bad debt placement. Consider placement for the following reasons:
- Return mail that could not be forwarded, or;
  - No payments within 120 days of service (The patient should have received at least three (3) data mailers,) or;
  - Defaulted installments for 90 days and failure to renegotiate payment arrangements, or;
  - Patient/guarantor refusal to pay bill, or;
  - Unresolved NSF checks.
1. If the account meets the aforementioned criteria, request a 10 day final notice if the system has not done so automatically.
  2. Call patients when the balance exceeds \$3,000. Maintain confidentiality in compliance with HIPAA Privacy laws. Document calls in the patient's account notes.
- B. Data Mailer Messages- The Vice President, Revenue Cycle and Managed Care, Charge Master and/or System Compliance Manager and Patient Accounting Director will maintain Data Mailer controls to ensure that patients are informed about their payment responsibility in a consistent manner. In addition, data mailers will inform the uninsured patient or guarantor about the hospital's uncompensated care and government programs.
- C. Self-pay accounts, financial class "00" will receive data mailers from PIH or its designee in the following sequence:

Data Mailer	Date from last Data Mailer
S1	14 days after detail bill date
S2	30 days after S1
S3	30 days after S2

Data Mailer	Date from last Data Mailer
S4	30 days after S3 <i>now eligible for bad debt placement</i>
S5	<i>Appears on bad debt transmittal report</i>

- D. Review the following reports for bad debt placement, and approve as appropriate:
- Pre-Bad Debt List (S4, S5)
- E. Enter message code 501 on accounts approved for bad debt placement. 501-“To supervisor for bad debt approval”.

**Customer Service Collection Supervisor/Business Office Management**

- F. Use “ACTS Supervisor Bad Debt Review” function to review accounts for appropriateness of bad debt placement. Based on the review, enter one of the following messages:
1. Bad debt approval message 500-“Management reviewed and approved bad debt placement”.
  2. Bad debt approval message 502- “Account not approved by management for bad debt. Additional follow-up required. Referred back to Collection Representative Agency Liaison”.
  3. Provide specific follow-up instructions to the collection representative.
- G. All bad debt placements must be approved prior to placement with the collection agency. The Customer Service Supervisor is responsible for overseeing all accounts placed in Collection. Approval requirements are as follows:
1. \$15.00-\$3,000: Self Pay and Balance After Insurance over 45 days is referred to Vendor Early Out Agency for follow-up as an “early out” assignment. After the 30 day final if the patient has not paid or made arrangements to pay and does not qualify for charity care the account will be automatically approved for Collections.
  2. \$3,001-\$4,999: Customer Service Lead
  3. \$5,000-\$9,999: Customer Service Supervisor
  4. \$10,000-\$39,999: Patient Accounting Director
  5. \$40,000 and over: Vice President, Revenue Cycle and Managed Care
- H. Collection agencies may notify the credit reporting agencies of the outstanding balance to the hospital but only after 180 days from the date the initial PIH bill was sent to the patient.
- I. If PIH’s collection agency recommends an uncompensated care write-off, remove the account from bad debt and apply the appropriate uncompensated care adjustment code.
- J. Before recommending legal action, the collection agency will screen the patient/guarantor to determine if the defaulting patient/guarantor’s income exceeds 400% of federal poverty guidelines. Legal action must be approved by the Vice President, Revenue Cycle and Managed Care.

If income exceeds 400% of federal poverty guidelines or the patient has more than one home, the account may be approved for legal action to include placing a lien on a home or other real

estate. The primary residence shall be the dwelling that is the patient's current homestead, as defined in Section 704.710 of the Code of Civil Procedure or was the patient's homestead at the time of the death and a person other than the patient is asserting the protections of AB 774. Collection of the default will not take place until the patient sells or refinances the home. Under certain circumstances when income does not exceed 400% FPL, PIH's collection agency may file a lien on a primary residence for a hospital bill that will not be exercised during the life of the patient or his/her spouse and/or as otherwise outlined by state law.

PIH or the collection agency operating on behalf of the hospital shall not, in dealing with low-income uninsured patients, use wage garnishments as a means of collecting unpaid hospital bills. For those whose income exceeds 400%, wage garnishment can only occur by order of the court upon noticed motions, supported by a declaration filed by PIH identifying the basis for which it believes that the patient has the ability to make payments on the judgement under wage garnishment.

If the defaulting patient/guarantor's income is at or less than 400% of federal poverty guidelines, the account MAY NOT be approved for legal action unless the patient has significant assets (beyond one home and one automobile for each driver in the household.). Upon a collection agency's recommendation that an account be approved for legal action, notify the Customer Service/Collection Supervisor.

#### Customer Service/Collection Supervisor

- K. Review the account that has been recommended for legal action. Ask the agency to prove that the patient's income exceeds 400% of federal poverty guidelines. If the account meets legal placement criteria, present the account to the Vice President, Revenue Cycle and Managed Care for approval and/or denial of legal action.
  - 1. If approved, enter message 504 to indicate that PIH Health Hospital has authorized the agency to pursue legal action to collect the debt, as well as incur court costs and attorney fees, if applicable.
- L. Return all denied requests to the collection agency. Indicate the reason for denial in account notes.
- M. Document all default judgments on patient account notes along with court assigned case numbers.
- N. Assign the Collection Liaison to attend legal proceedings in court on behalf of PIH Health Hospital

## REFERENCES:

External References:

*Supersedes policy #000.00000.000; Sections amended, if any:*

*Revised 10/93, 1/97, 10/97,5/99, 11/03, 3/05, 02/06 3/05, 01/0,09/08 09/10, 6/14,1/19 changed name(s) and titles, collection agency assignment criteria, approval levels*

## Approval Signatures

Step Description	Approver	Date
CEO	Jim West: CEO	3/29/2022
BOD	Elizabeth Gaa: Governance Liaison	3/28/2022
Administration Deadline for BOD	Elizabeth Gaa: Governance Liaison	3/9/2022
VP of Rev.Cycle & Managed Care	Noel Coppinger: VP Rev Cycle & Managed Care	3/8/2022
Administrative Director, Patient Access	Rewa Cooper: Admin Director Patient Access, IDS	3/8/2022
Policy Owner	John Ordonez: IDS Admin Dir Patient Accounting	3/8/2022

---

### Applicability

PIH Health Downey Hospital, PIH Health Enterprisewide, PIH Health Good Samaritan Hospital, PIH Health Whittier Hospital

COPY