



**SENECA HEALTHCARE DISTRICT
POLICY & PROCEDURE**

DEPARTMENT: FINANCE POLICY TITLE: BAD DEBT POLICY NUMBER: FIN-015.001 COMPLIANCE REQUIREMENT: Provider Reimbursement Manual-1, Chapter 3, Sections 306-324	Page 1 of 4
	Date of Origin: 4/28/2022
	Revision Date:
	Periodic Review By: Date:
AUTHOR: Steve Boline, Chief Financial Officer REVISED BY:	Policy Rescinded by Policy #: Effective Date:

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 uncollectible and written off as bad debt after all efforts to collect have been exhausted.

Authorization	Signature	Date
Department Head		4/28/2022
Medical Department Chair	N/A	
Compliance Officer		04/28/2022
Chief Nursing Officer	N/A	
Director, Human Resources		04/28/22
Administration		4/28/22
Medical Chief of Staff	N/A	
Governing Board		05/25/22

POLICY NUMBER REFERENCE: FIN-015.001

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 uncollectible; including amounts to be claimed as Medicare beneficiary bad debt.

2. **Responsibilities**

The SHD Finance Department, and their contracted vendors, are responsible for the collection of outstanding patient accounts receivable and for the process to determine them uncollectible; 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 uncollectible 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

- i. The Billing Office will issue six (6) statements over the 180-day period.
 1. If a payment is received on the account the statement series will either discontinue for payment in full *or* generates an acknowledgment of payment.
- ii. If no payment has been received from the patient 180 days from the last payment made, the account will be transferred to one of SHD's contracted collection agencies.
 1. Accounts returned from the collection agencies as uncollectible 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.
- iii. If any of the statements are returned due to insufficient address or other reasons the Billing Office will attempt to contact the patient to obtain an updated address.
 1. If a valid address cannot be obtained after reasonable efforts were made the account may be deemed uncollectible and claimed as bad debt on the cost report.
- iv. If the patient is deceased SHD or the 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 uncollectible and claimed as bad debt on the cost report.

- v. A thorough review of all eligible patient accounts will be done prior to approving transfer to the contracted collections agency.
- vi. 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 uncollectible when claimed as worthless.
 - 4. Sound business judgement 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 the Sanctions Policy/Procedure, CMPL-005.