POLICY AND PROCEDURE

Title: Bad Debt Policy

Location: Temecula	**Policy Number:**	**Page: 1 of 3**
Department of Document Owner: Finance Department		
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Section: Department Specific / Financial Services		

I. SCOPE

Temecula Valley Hospital Patient Financial Services

II. PURPOSE

To define the conditions when accounts can be written off to Bad Debt.

III. POLICY

A. It is the policy of Temecula Valley Hospital to transfer an account balance for which the patient has been determined to be responsible to Bad Debt as soon as reasonable collection efforts have been exhausted and the account has been determined to be uncollectible, providing all efforts are documented. For Medicare accounts, this includes meeting all criteria to qualify the account to be claimed on the Medicare Bad Debt Report. All accounts with a patient balance should be forwarded to an outside collection agency except:

1. When legally prohibited
2. When payment at a future date is probable
3. When the balance is less than collection agency minimum
4. When there are specific state requirements, the policy will comply with any and all requirements ie. California Dept of Public Health, SB 1276: Hospital Fair Billing Policies

All amounts transferred to bad debt must have proper signature authorization as defined in this policy.

B. Reasonable Collection Effort is defined as follows:

1. Self-Pay accounts pursued through an early collection arrangement with a collections vendor.
2. Self-Pay Accounts that have not been pursued through an Early Collection Arrangement and have balances that are over $10,000 but less than $25,000 should reflect the following collections attempts:

    a. At least two (2) statements have been sent to the patient/responsible party. Statements are generated internally and also by early out collection vendor.

b. Mail returns and address corrections have been properly researched and the patient/responsible party has received at least two (2) statements at the most current address. If a new address is discovered, the patient/responsible party address will be changed and two (2) statements will be sent. If a new address is not discovered, the account will follow the returned mail policy for submission to the appropriate party for signature and transfer to bad debt.
c. All claims have been properly filed to appropriate party (third party liability or patient responsibility). All payments and adjustments have been posted and all collection efforts have been exhausted prior to transfer to Bad Debt.
d. All accounts must have been returned and cancelled from any outsourcing vendor.
e. A final notification advising the patient/responsible party of assignment to a collection agency has been sent.
f. If there remains a possibility for collection from the third party liability, the account may not be transferred to Bad Debt.
g. Accounts with limited benefits and/or no insurance payment due to benefits exhausted will have a 60% adjustment applied to the account prior to sending to bad debt.

3. Self Pay Accounts that have not been pursued through an Early Collection Arrangement and have balances greater than $25,000 should reflect the same requirements as above with the addition of:

    a. Telephone contact with the patient/responsible party has been attempted.

C. Uncollectible is defined as follows:

1. Insurance has denied payment, a legal review has been done as appropriate, all appeals have been denied **and the patient has been determined to be responsible for payment of the account balance.** All collection efforts have been exhausted on the account. The following are examples:

    a. Insurance terminated prior to admission
    b. Premium on private insurance was not paid
    c. Pre-existing condition on a new policy
    d. Any other reason clearly stated that could not be appealed.

2. Patient/responsible party refuses to pay in full or to establish an acceptable payment schedule according to hospital policy.

3. Attempts to locate the patient/responsible party have been exhausted.

4. All government assistance and/or charity programs have been applied for and denied. Attempts to collect from the patient/other third-party payers have proven futile.

D. The Medicare Bad Debt Reports:

The reports are generated by Corporate Financial Reporting team on an annual basis, reviewed and updated by the Corporate Revenue Cycle Department and then provided to the Corporate Reimbursement Team.

Monthly reports are produced in the Data Warehouse and utilized by the regional business offices to verify the appropriateness of accounts being placed on the report.

E. Authorization Requirements for Write Offs

Addendum A, in hardcopy or the system electronic version, is the form to be used for securing appropriate approvals for accounts that have not been pursued through an Early Collection Arrangement. The appropriate signature authorizations should be obtained based on the signature levels indicated in this policy.

Signature authorization and approval for bad debt transfers are as follows:

Less than $15,000	No approval required
$15,000 - $50,000	Business Office Director/Designee
$50,001 - $100,000	Vice President of Patient Financial Services/Designee
Over $100,000	Vice President of Acute Care Finance