Policy Title	Hospital Debt Collection Policy
Policy Number	CHONC-DCP-001
Effective Date	November 20, 2026
Revision Dates	None
Regulatory Authority	HSC Sections 127400 to 127446 (AB 774, SB 1276, AB 1020, AB 2297); Civil Code Sections 1785.3, 1785.27, 1788.14 (SB 1061); Rosenthal Fair Debt Collection Practices Act (Civil Code Section 1788 et seq.); Title 22 CCR Sections 96051 et seq.
Applies To	CHONC
Related Policy	CHONC Charity Care and Discount Payment Policy

CHONC Hospital Debt Collection Policy

Purpose

This Hospital Debt Collection Policy establishes the standards and procedures that govern the collection of unpaid hospital bills at CHONC.
This policy implements and complies with the California Hospital Fair Pricing Act, Health and Safety Code Section 127400 et seq., as amended by AB 1020 (2021), AB 2297 (2024), and SB 1061 (2024); Civil Code Section 1785.27 and related provisions enacted by SB 1061; the Rosenthal Fair Debt Collection Practices Act; and Title 22 California Code of Regulations Section 96051 et seq.

This policy must be read together with the CHONC Charity Care and Discount Payment Policy. If a patient may be eligible for financial assistance, or has a pending application or appeal, the provisions of the Charity Care and Discount Payment Policy govern, and collection activity is suspended as described below.

Facilities Covered

- CHONC

Definitions

Capitalized terms not defined here have the meaning given in the CHONC Charity Care and Discount Payment Policy.

Debt Collection means any act or practice in connection with the collection of medical debt from a patient, including: any attempt to contact a patient regarding a debt more than 90 days past due by mail, email, text, phone call, or in person; the sale or assignment of a patient debt to a third party for collection; any civil action to collect a medical debt, including placing a lien on a patient property, attaching or seizing a patient bank account or other personal property, obtaining an order for examination under California Code of Civil Procedure Section 708.120, or garnishing a patient wages; delaying or denying care because of an unpaid medical debt; and any other Extraordinary Collection Action.

Extraordinary Collection Action (ECA) means any action taken against an individual related to obtaining payment of a bill for care covered under the CHONC Financial Assistance Policy. ECAs include: selling an individual debt (unless the conditions of HSC Section 127425 are met); reporting adverse information about an individual to consumer credit reporting agencies or credit bureaus (prohibited under SB 1061); deferring, denying, or requiring a payment before providing medically necessary care because of non-payment of one or more bills for previously provided care; placing a lien on any real property owned by the patient (prohibited under AB 2297); attaching or seizing bank accounts or other personal property; commencing a civil action; causing an arrest or body attachment; and garnishing wages.

Medical Debt means debt owed by a consumer to a healthcare provider or its agent for the provision of medical services, products, or devices, including medical bills that are not past due or that have been paid. (Civil Code Section 1785.3.) This broad statutory definition applies throughout this policy.

Policy Statement

CHONC treats all patients fairly and with respect before, during, and after the delivery of healthcare services. CHONC collection practices are designed to resolve patient accounts in a manner that is consistent with the CHONC mission, protects patients from abusive or unlawful practices, and complies with all applicable laws.

No collection action will be taken against a patient who is attempting in good faith to resolve an account through application for financial assistance, negotiation of a payment plan, or regular partial payments. CHONC will not delay or deny emergency care or medically necessary care based on a patient unpaid balance.

Section 1. Prohibition on Credit Reporting of Medical Debt

Effective January 1, 2025, California law prohibits furnishing any information regarding medical debt to a consumer credit reporting agency. Any medical debt reported in violation of this prohibition is void and unenforceable. (Civil Code Sections 1785.3, 1785.27, as enacted by SB 1061.)

CHONC Obligations

- CHONC, its hospitals, assignees, collection agencies, and debt buyers shall not furnish any information regarding medical debt to a consumer credit reporting agency or credit bureau at any time.
- This prohibition is unconditional. It applies regardless of how old the debt is, regardless of whether the patient has been notified, regardless of the result of any charity care or discount payment application, and regardless of any agreement signed by the patient.
- CHONC does not use medical debt listed on any consumer credit report as a negative factor when making any credit-related decision about a patient.
- Each CHONC facility CFO is responsible for confirming that no medical debt is furnished to a consumer credit reporting agency by any CHONC employee, agent, collection vendor, or debt buyer.

Section 2. Mandatory Contract Language Under SB 1061

Effective July 1, 2025, every contract creating medical debt, including Conditions of Admission, financial responsibility forms, guarantor agreements, payment plan agreements, and similar documents, must include the following statutory language verbatim or the debt is void and unenforceable. (Civil Code Section 1785.27(c).)

> *A holder of this medical debt contract is prohibited by Section 1785.27 of the Civil Code from furnishing any information related to this debt to a consumer credit reporting agency. In addition to any other penalties allowed by law, if a person knowingly violates that section by furnishing information regarding this debt to a consumer credit reporting agency, the debt shall be void and unenforceable.*

Each CHONC facility CFO is responsible for confirming that this language appears in all current admission and financial responsibility forms at that facility. The Corporate Compliance Department conducts a contract audit at least annually to verify compliance.

Section 3. No Liens on Real Property, No Wage Garnishments

CHONC shall not use liens on any real property, nor wage garnishments, to collect unpaid hospital bills from patients eligible under the CHONC Charity Care and Discount Payment Policy. AB 2297 repealed the prior limited exception that allowed liens on real property other than a primary residence. Liens on any real property are now prohibited. (HSC Section 127425, as amended by AB 2297.)

Operational Effect

- CHONC does not file a lien on a patient primary residence or any other real property owned by the patient.
- CHONC does not garnish the wages of a financially qualified charity care patient.
- CHONC does not use a forced court appearance to require a qualified charity care patient or responsible party to appear in court.
- CHONC does not pursue collection action against a qualified Charity Care patient who has clearly demonstrated that they do not have sufficient income to meet any part of the financial obligation.

Section 4. Pre-Collection Requirements

Before any account is referred to a collection agency, sold to a debt buyer, or subject to any civil action, CHONC shall take all of the following steps.

4.1 Notice of Financial Assistance

The patient has been provided written notice of the availability of financial assistance at the time of service or discharge, on each billing statement, and before collection referral.

4.2 Offered Application

The patient has been offered a financial assistance application. The patient has had a reasonable opportunity to apply and to supplement any incomplete application.

4.3 Presumptive Screening

CHONC has made reasonable efforts to prescreen the patient for presumptive eligibility under Section 9 of the CHONC Charity Care and Discount Payment Policy.

4.4 180-Day Rule for Civil Actions

For any uninsured patient or patient with high medical costs, no civil action for nonpayment has been commenced before 180 days after the date of initial billing.

Section 5. Suspension of Collection Activity

CHONC shall suspend all collection activity under any of the following circumstances:

- A patient has a pending application for Charity Care, Discount Payment, or other health coverage (including Medi-Cal, Covered California, California Children Services, or workers compensation) and is cooperating with CHONC and with the application process. Suspension continues until a final determination is made.
- A patient has submitted an internal appeal of a denial. Suspension continues until the appeal is resolved.
- A patient has filed a complaint with the HCAI Hospital Bill Complaint Program. Upon receipt of notice from HCAI of such a complaint, CHONC shall immediately suspend all collection activity on the patient account during the complaint review period. (Title 22 CCR Section 96051.19.)
- A patient is complying with a payment plan agreed to by CHONC.
- A patient is appealing a denial of insurance coverage or payment and is making a reasonable effort to keep CHONC informed of appeal status. In this case, the account shall not be reported to a consumer credit reporting agency (which is in any event prohibited under SB 1061), and no civil action shall be commenced, until a final determination is made on the appeal.

Section 6. Retroactive Eligibility

If during collection activity CHONC discovers or is informed that the patient qualifies in whole or in part for Charity Care or Discount Payment, CHONC shall:

- Immediately cease collection activity on the account
- Apply the appropriate write-off or discount retroactively
- Recall the account from any collection agency or debt buyer
- Refund any amounts paid by the patient in excess of what the patient would have owed under the Charity Care and Discount Payment Policy, together with interest as required by HSC Section 127440, within 30 days
- Remove any resulting adverse information from any inadvertent reporting (noting that credit reporting of medical debt is prohibited at all times under SB 1061)

Section 7. Collection Agency Standards

Accounts may be sent only to collection agencies that have been provided with, and have agreed in writing to abide by, the CHONC Charity Care and Discount Payment Policy and this Debt Collection Policy. The CHONC written agreement with each collection agency shall expressly require the agency to:

7.1 Prohibitions

- Never furnish any information regarding medical debt to a consumer credit reporting agency (SB 1061)
- Never place a lien on any real property of the patient (AB 2297)
- Never garnish wages of any patient known to be eligible under the CHONC Charity Care and Discount Payment Policy
- Never use a forced court appearance or other abusive practice against a patient

7.2 Affirmative Obligations

- Provide a dedicated phone number that patients can call to reach a knowledgeable representative during reasonable business hours
- Suspend all collection activity immediately upon learning that a patient has submitted a financial assistance application, appeal, or HCAI Hospital Bill Complaint Program complaint
- Cease collection and recall the account to CHONC if the patient is determined retroactively eligible for Charity Care or Discount Payment
- Honor any CHONC-approved discounted amount and any CHONC-negotiated payment plan
- Comply with the Rosenthal Fair Debt Collection Practices Act (Civil Code Section 1788 et seq.), the federal Fair Debt Collection Practices Act (15 U.S.C. Section 1692 et seq.), and all other applicable law
- Include the SB 1061 mandatory contract language (Section 2 above) in any agreement the agency enters into with a patient that creates, modifies, or extends medical debt
- Report to CHONC quarterly on the number of accounts received, collected, returned, and subject to disputes or complaints

7.3 Debt Sale Conditions

CHONC shall not sell a patient debt to a debt buyer unless all of the following conditions are met:

- CHONC has found the patient ineligible for financial assistance, OR the patient has not responded to CHONC attempts to bill or offer financial assistance for 180 days
- The contract of sale includes written assurance by the debt buyer that the debt will not be resold, that the buyer will comply with this Debt Collection Policy and the SB 1061 credit reporting prohibition, and that the buyer will cease collection and return the debt if the patient is subsequently determined eligible for financial assistance
- The contract of sale includes the SB 1061 mandatory contract language

Section 8. Payment Plans

Detailed payment plan provisions are in Section 7 of the CHONC Charity Care and Discount Payment Policy. A summary of the collection-related provisions appears below.

8.1 Interest-Free and Fee-Free

Any extended payment plan negotiated with a qualified patient under the CHONC Financial Assistance Policy shall be provided without interest, penalties, or fees. The patient financial responsibility shall not exceed the discounted amount previously determined.

8.2 Monthly Payment Limit

Monthly payments under a reasonable payment plan shall not exceed 10 percent of the patient monthly family income, excluding deductions for essential living expenses. Before setting any payment plan (whether negotiated or default), CHONC considers the patient family income, family size, essential living expenses, the amount owed, and prior payments.

8.3 Default Process

An extended payment plan may be declared no longer operative only after all of the following have occurred:

- The patient has failed to make all consecutive payments during a 90-day period
- CHONC has made a reasonable attempt to contact the patient by phone at the last known number and given notice in writing at the last known address, stating that the plan may become inoperative and advising of the opportunity to renegotiate
- At least 30 days have passed from the date of the written notice without cure or renegotiation request
- If the patient has requested renegotiation, CHONC has attempted to renegotiate the terms in good faith

Even after a payment plan is declared inoperative, credit reporting remains prohibited under SB 1061, and other collection restrictions in this policy continue to apply.

Section 9. Required Notices and Disclosures

9.1 Billing Statements

Every billing statement includes a clear notice that financial assistance is available, the phone number for the financial assistance office, and the direct web address where a patient can obtain this policy, the CHONC Charity Care and Discount Payment Policy, the plain language summary, and the application:
https://www.chonc.org/

9.2 Notice Before Collection Referral

Before referring an account to a collection agency or assigning the account to an internal collections unit, CHONC shall send the patient written notice that includes all of the following:

- A statement that financial assistance is available and how to apply
- A summary of the patient legal rights under California law, including the right to apply for financial assistance at any time, the right to file a complaint with the HCAI Hospital Bill Complaint Program, and the right to contact the Health Consumer Alliance at 1-888-804-3536 or https://healthconsumer.org
- A description of any Extraordinary Collection Actions that CHONC or its agents intend to initiate
- A statement that nonprofit credit counseling services may be available in the area
- The date the patient was first billed, the dates on which CHONC provided each financial assistance notice, and the date any prior eligibility determination was made
- The Hospital Bill Complaint Program notice and Health Consumer Alliance notice

9.3 Notice Before Civil Action or Debt Sale

Before commencing a civil action against a patient, or selling a patient debt, CHONC shall provide the patient written notice at least 30 days in advance identifying the specific action, the amount claimed, the reason the action is being taken, and the patient right to apply for financial assistance. No civil action for nonpayment shall be commenced before 180 days after the date of initial billing.

Section 10. Record Retention

CHONC shall maintain for no less than 5 years all records relating to money owed to CHONC by a patient or a patient guarantor, including but not limited to: (HSC Section 127446, as added by AB 2297.)

- Documents related to litigation filed by CHONC
- Financial assistance applications and supporting documentation
- Payment plans
- Collection agency referrals and communications
- Records of amounts paid, adjusted, or written off
- Copies of all patient notices provided, including the dates notices were provided, the dates of any prior eligibility determinations, and the communications method used
- Debt sale documentation, including the buyer written assurances under Section 7.3 above

Section 11. HCAI Patient Complaint Process

A patient or authorized representative may file a complaint with the HCAI Hospital Bill Complaint Program at any time after the patient has applied to CHONC for Charity Care or Discount Payment. Information about the program is available at https://HospitalBillComplaintProgram.hcai.ca.gov or by contacting HCAI at Hospital Bill Complaint Program, Department of Health Care Access and Information, 2020 West El Camino Avenue, Suite 1101, Sacramento, CA 95833.

CHONC Obligations When a Complaint Is Filed

- Upon receipt of a complaint notice from HCAI, CHONC shall suspend all collection activity on the patient account immediately
- CHONC shall respond to HCAI within the timeframes specified in Title 22 CCR Sections 96051.15 to 96051.19
- CHONC shall cooperate with the HCAI investigation and provide all requested records
- If HCAI determines that CHONC violated the Hospital Fair Pricing Act or this policy, CHONC shall comply with the compliance determination and, if required, refund any amounts owed to the patient together with interest
- CHONC shall not retaliate against any patient, guarantor, or family member for filing an HCAI complaint

Section 12. Enforcement and Penalties

HCAI enforces the Hospital Fair Pricing Act. Under Title 22 CCR Section 96051.22, HCAI may assess the following administrative penalties for violations of this policy or of the Hospital Fair Pricing Act:

- Up to $12,500 per moderate violation
- Up to $25,000 per major violation
- Up to $500 per day for each day of continuing non-compliance
- Multiple violations may be assessed per policy

In addition, any medical debt furnished to a consumer credit reporting agency in violation of Civil Code Section 1785.27 is void and unenforceable. Any contract creating medical debt that fails to include the mandatory SB 1061 disclosure is void and unenforceable.

Section 13. Staff Training

All CHONC staff who interact with patients regarding billing, collection, or financial assistance shall receive training at hire and annually thereafter on:

- The CHONC Charity Care and Discount Payment Policy and this Debt Collection Policy

- Patient rights under California and federal law
- The prohibition on furnishing medical debt to consumer credit reporting agencies
- The prohibition on liens on any real property
- Application procedures and presumptive eligibility criteria
- Requirements for suspending collection activity
- Recognition of situations that may trigger retroactive eligibility
- Proper referrals for patients who may qualify for government-sponsored coverage

Section 14. HCAI Submission of This Policy

This Debt Collection Policy, together with the CHONC Charity Care and Discount Payment Policy and the CHONC Financial Assistance Application, constitutes the CHONC policy submission under HSC Section 127435(a). CHONC submits all three documents to HCAI via the online policy submission portal at https://hdc.hcai.ca.gov biennially on or before January 1 of each even-numbered year, and within 10 working days of any significant change, with clean copies and redlined copies showing additions (underline) and deletions (strikethrough).

A significant change is any change that could affect patient access to or eligibility for discount payment or charity care or any other protections outlined in the Hospital Fair Pricing Act and Title 22 CCR Section 96051 et seq.

Appendix A. Prohibited Collection Actions Quick Reference

Action	Status Under Current Law	Authority
Furnish medical debt to consumer credit reporting agency	Prohibited at all times (no 180-day safe harbor)	Civil Code Section 1785.27 (SB 1061)
Place a lien on any real property	Prohibited entirely (including primary residence)	HSC Section 127425 (AB 2297)
Garnish wages of eligible charity care patient	Prohibited	HSC Section 127425
Commence civil action before 180 days after initial billing	Prohibited	HSC Section 127425
Force a qualified charity care patient into court	Prohibited	HSC Section 127425
Sell patient debt before finding patient ineligible or before 180 days of non-response	Prohibited unless conditions met	HSC Section 127425
Pursue collection while application or appeal pending	Prohibited (suspension required)	HSC Section 127405; Title 22 CCR 96051.19
Delay or deny medically necessary care for unpaid debt	Prohibited	EMTALA; HSC Section 127405
Enter contract creating medical debt without SB 1061 language	Debt is void and unenforceable	Civil Code Section 1785.27(c)
Consider monetary assets in eligibility determination	Prohibited	HSC Section 127405(d)(2) (AB 2297)
Impose a deadline for financial assistance application	Prohibited	HSC Section 127405(e)(3) (AB 2297)
Require Medicare or Medi-Cal application before discount payment screening	Prohibited	HSC Section 127405(e)(1) (AB 2297)

Appendix B. Legal Authority

- **California Health and Safety Code Sections 127400 to 127446** (Hospital Fair Pricing Act), as amended by AB 774 (2006), SB 1276 (2014), AB 1020 (2021), AB 2297 (2024)
- **California Civil Code Sections 1785.3, 1785.27, and 1788.14** (SB 1061; prohibitions on credit reporting of medical debt and mandatory contract language)
- **California Civil Code Section 1788 et seq.** (Rosenthal Fair Debt Collection Practices Act)
- **Title 22 California Code of Regulations Sections 96051 to 96051.37** (HCAI Hospital Fair Billing Program regulations)
- **15 U.S.C. Section 1692 et seq.** (federal Fair Debt Collection Practices Act)
- **42 U.S.C. Section 1395dd** (EMTALA)
- **26 U.S.C. Section 501(r)** and Treasury Regulation Section 1.501(r) (where applicable to CHONC nonprofit facilities)
- **HCAI Program Information Letter 24-03** (October 16, 2024)

End of Hospital Debt Collection Policy