

Policy Title	Watsonville Community Hospital Billing and Collections Policy	Policy #	BUS1001
Responsible	Revenue Cycle Director	Revised/Reviewed	12/2022, 06/2025

I. PURPOSE

The purpose of this policy is to comply with and provide information regarding the billing and collection of patient debt, pursuant to the Internal Revenue Code 501(r), California Health and Safety Code 127400-127449, and the policies and practices of Pajaro Valley Health Care District Hospital Corporation dba Watsonville Community Hospital, a nonprofit hospital.

II. POLICY

It is the policy of Watsonville Community Hospital to state clear guidelines for staff to begin appropriate collections actions on delinquent patient accounts that have qualified for the financial assistance policy. Watsonville Community Hospital does turn over patient accounts to a collection agency that has not responded to Watsonville Community Hospital's collection efforts. Watsonville Community Hospital does not sell debt to a debt buyer or other parties or assignees.

III. DEFINITIONS

- A. **Application Period:** Watsonville Community Hospital shall accept and process a financial assistance application at any time, even after collection activity has started, as long as the application includes proof of income such as recent pay stubs or a tax return. For administrative purposes, Watsonville Community Hospital will delay extraordinary collection actions for at least 180 days after the first bill is sent to allow patients time to apply. Watsonville Community Hospital shall accept and process a financial assistance application at any time, even after collection activity has started, as long as the application includes proof of income such as recent pay stubs or a tax return. For administrative purposes, Watsonville Community Hospital will delay extraordinary collection actions for at least 180 days after the first bill is sent to allow patients time to apply.
- B. **Emergency and Medically Necessary Care:** Any hospital emergency, inpatient, outpatient, or emergency medical care that is not entirely elective for patient comfort and/or convenience. (Typical non-medically necessary services would be cosmetic surgery, infertility treatments, and alternative therapies.)

- C. **Emergency Medical Treatment & Labor Act (EMTALA):** In 1986, Congress enacted the Emergency Medical Treatment & Labor Act (EMTALA) to ensure public access to emergency services regardless of ability to pay. Section 1867 of the Social Security Act imposes specific obligations on Medicare-participating hospitals that offer emergency services to provide a medical screening examination when a request is made for examination or treatment for an emergency medical condition, including active labor, regardless of an individual's ability to pay. Hospitals are then required to provide stabilizing treatment for patients with emergency medical conditions. If a hospital is unable to stabilize a patient within its capability, or if the patient requests, an appropriate transfer should be implemented. See Watsonville Community Hospital's EMTALA policy for further guidance.
- D. **Essential Living Expenses:** Expenses for any of the following: rent or house payment and maintenance; food and household supplies; utilities and telephone; clothing, medical and dental payments; insurance; school or childcare; child or spousal support; transportation and auto expenses, including insurance, gas, and repairs; installment payments; laundry and cleaning; and other extraordinary expenses.
- E. **Extraordinary Collection Actions (ECAs):** Extraordinary collection actions (ECAs) are legal or credit-related actions a hospital may take to collect payment for care. These actions go beyond standard billing and may negatively impact a patient's financial standing. ECAs include:
- Selling a patient's debt to a third party
 - Reporting unpaid bills to credit reporting agencies or credit bureaus
 - Deferring or denying medically necessary care, or requiring upfront payment for such care, because of nonpayment of previous bills covered under Watsonville Community Hospital's financial assistance policy
 - Taking legal action or using the court system to collect payment

Examples of legal actions that are considered ECAs include:

- Placing a lien on a patient's property
- Foreclosing on real estate owned by the patient
- Seizing or freezing a bank account or other personal property
- Filing a lawsuit against the patient
- Causing the patient to be arrested or detained

- Requesting a court order (writ of body attachment)
- Garnishing the patient's wages

What is not considered an ECA:

- Filing a claim in a bankruptcy proceeding
- Placing a lien on a judgment or settlement a patient receives for personal injuries caused by a third party (when Watsonville Community Hospital provided care related to those injuries)

- F. **Financial Assistance:** Assistance provided to patients and their families that qualify for financial help to fully or partially pay their portion of emergency and medically necessary care received at Watsonville Community Hospital as defined in the hospital's financial assistance policy.
- G. **Financial Assistance Policy:** Watsonville Community Hospital's financial assistance policy describes the eligibility criteria, application process to apply for financial assistance, and the charity care (free care) and discounted payment (reduced but not free care). It further describes where applications are located and how they can be obtained free of charge.
- H. **Guarantor:** An individual other than the patient who is responsible for payment of the bill.
- I. **Presumptive Eligibility:** A hospital facility may presumptively determine that an individual is eligible for financial assistance based on information other than that provided by the individual (e.g., socio-economic information specific to the patient that is gathered from market sources) or based on a prior financial assistance eligibility determination.

A presumptive determination that an individual is eligible for less than the most generous assistance available under a financial assistance policy constitutes "reasonable efforts" to determine financial assistance eligibility if a hospital facility:

- Notifies the individual regarding the basis for the presumptive eligibility determination and how he or she may apply for more generous assistance available under the financial assistance policy;
- Gives the individual a reasonable period of time to apply for more generous assistance before initiating ECAs to obtain the discounted amount owed for the care; and
- Processes any complete financial assistance application the individual submits by the end of the application period or, if later, by

the end of the reasonable time period given to apply for more generous assistance.

Watsonville Community Hospital may use a third-party to review public data to estimate a patient's ability to pay. However, presumptive eligibility determinations for financial assistance are based only on income-related information, consistent with Watsonville Community Hospital's financial assistance policy and the federal policy guidelines. Asset or credit information is not used to determine eligibility.

- J. **Extended Payment Plan:** A payment plan that allows a patient to pay their remaining financial obligation over time, for up to 36 months. Extended Payment Plans are interest-free and are negotiated between Watsonville Community Hospital and the patient (or guarantor), taking into account the patient's family income and essential living expenses.

If the hospital and patient cannot agree on terms, Watsonville Community Hospital will offer a reasonable payment plan, defined as monthly payments that do not exceed 10% of the patient's monthly family income, excluding essential living expenses, as required by California law.

IV. **REASONABLE EFFORTS, COMBINED MULTIPLE HOSPITAL VISITS AND NOTIFICATIONS**

Watsonville Community Hospital will make every reasonable effort not to enter into any ECA's for emergency and medically necessary care prior to determining whether a patient is eligible for financial assistance. ECA's will not be initiated prior to 180 days of the initial post-discharge billing statement.

- A. **Reasonable Efforts for Incomplete Financial Assistance Applications.** When Watsonville Community Hospital receives an incomplete financial assistance application, regardless of when it is received, it will suspend any ECA's and refrain from initiating any ECA's for at least 180 from the date Watsonville Community Hospital provided the first post-discharge billing statement, and it will notify the patient or guarantor of the incomplete application. Watsonville Community Hospital will also provide the patient with a list of the required documents needed to satisfy the application.
- B. **Reasonable Efforts for Completed Financial Assistance Applications.** When Watsonville Community Hospital receives a completed financial assistance application, regardless of when it is received, it will do the following:
 - 1. Suspend any ECA's that may exist until financial eligibility is determined.
 - 2. Determine if the patient is eligible for financial assistance.

3. Notify the patient or guarantor in writing of the financial assistance eligibility determination and the basis for such determination.

C. **Post-Determination Actions for Approved Financial Assistance.** Watsonville Community Hospital will:

1. Provide a billing statement of the amount owed, if any, along with the determination letter.
2. Refund any amounts the patient or guarantor paid that exceed what is owed. The refund will include interest accrued from the date the payment is received by Watsonville Community Hospital by the patient or guarantor, at a rate of ten percent (10%) per annum on the refunded amount. The refund will be issued within thirty (30) days from the later of the date the excess amount is paid or the date Watsonville Community Hospital determines the amount for which the patient is personally liable for paying (as a patient or guarantor eligible for financial assistance) after receiving the excess payment.
3. Watsonville Community Hospital and its agents will not report medical debt to consumer credit reporting agencies, in compliance with California law. Watsonville Community Hospital will take all necessary measures to reverse any extraordinary collection actions (ECAs), including any judgments or liens, and will ensure that no adverse credit information is furnished or maintained by or on behalf of the Watsonville Community Hospital.

D. **Notification Letter.** No less than thirty (30) days prior to an ECA for any emergency or medically necessary care, a notification letter of Watsonville Community Hospital's intent will be sent to the patient or guarantor that will contain the following information:

1. A copy of the plain language summary of the financial assistance policy.
2. A copy of the financial assistance application, if one is not already on file.
3. The date of service for the ECA, and the name of entity the bill is being sold to.
4. Any insurance coverage on file or whether Watsonville Community Hospital has the patient listed as uninsured.
5. The documentation noted in the system, if any, of when the patient or guarantor was notified of Watsonville Community Hospital's financial assistance policy.

6. The timing of any prior notices about applying for financial assistance.

Note: Watsonville Community Hospital will still consider financial assistance applications at any time if income documentation is submitted.

- E. **Oral Notification.** Watsonville Community Hospital staff will make every reasonable effort during the registration process for medically necessary care and at a time appropriate after the medical screening examination for emergency care to notify patients and guarantors about the financial assistance policy and the plain language summary thereof. These efforts will be documented in the patient account notes.
- F. **Combined Multiple Hospital Visits.** If Watsonville Community Hospital adds together unpaid bills from more than one hospital visit, it will not begin an ECA until at least 180 days after sending the first post-discharge bill following for the most recent visit included in the combined total.

V. PROCESSES FOR PAYMENT PLANS AND ADVANCING PATIENT DEBT TO COLLECTIONS

If a patient is applying for eligibility under the financial assistance policy and is attempting, in good faith, to settle an outstanding bill with Watsonville Community Hospital by negotiating a reasonable payment plan or by making regular reasonable payments, Watsonville Community Hospital will not send the bill to a collection agency until a final determination of the patient's application has been made.

- A. **Payment Plan Terms for Financial Assistance Recipients.** In cases where the patient or guarantor is approved for discounted payment and still owes a bill:
 1. Watsonville Community Hospital does not require any patient or guarantor eligible for financial assistance to undergo an independent dispute resolution process if a discrepancy exists between a good faith estimate and the final bill.
 2. Watsonville Community Hospital shall negotiate a reasonable payment plan (or an extended payment plan) when requested by the patient or guarantor.
 3. Watsonville Community Hospital will not send unpaid bills to outside collection agencies as long as the patient is complying with an agreed-upon payment plan, including making timely payments. Watsonville Community Hospital will also stop any ECA's, if any exist.
 4. Any extended payment plan agreed to will be interest free.

5. In negotiating an extended payment plan, Watsonville Community Hospital will consider the patient's family income and essential living expenses. If the hospital and patient cannot agree on a payment plan, Watsonville Community Hospital will offer a "reasonable payment plan," which is defined as monthly payments that do not exceed 10% of the patient's monthly family income, excluding essential living expenses. All payment plans will be interest-free and may not exceed 36 months in duration.
- B. **Default Procedures for Extended Payment Plans.** With respect to an extended payment plan where the patient, or guarantor, fails to make all consecutive payments due during a 90-day period:
1. Before declaring an extended payment plan in default, Watsonville Community Hospital or its collection agency must make a reasonable attempt to contact the patient or guarantor by phone and give written notice that the extended payment plan may default.
 2. Before declaring an extended payment plan in default, Watsonville Community Hospital or its collection agency must attempt to renegotiate the extended payment plan with the patient or guarantor, if requested.
 3. Watsonville Community Hospital or its collection agency will not report any medical debt to consumer credit reporting agencies under any circumstances.
 4. Watsonville Community Hospital and its agents will not use credit reporting as a means of debt collection.
 5. The notice and telephone call to the patient may be made to the last known telephone number and address of the patient and documented in the patient account notes.
- C. **No Credit Reporting of Medical Debt.** Watsonville Community Hospital and its collection agency will not report any negative information related to medical debt to consumer credit reporting agencies, regardless of the age or status of the account.
- D. **Collection Agency Contract Compliance.** The contractual agreement between Watsonville Community Hospital and any collection agency will comply with all IRC 501(r) and California Health and Safety Code 127400-127449 regulations.
- E. **Conditions for Advancing Debt to Collections.** Watsonville Community Hospital will not advance patient or guarantor debt to the collection agency unless an extended payment plan is declared to be in default and is not renegotiated with the patient or guarantor or the patient is unresponsive for at

least 180 days from the initial bill date to attempts to bill or offer financial assistance. Even after 180 days, Watsonville Community Hospital will still accept and process a financial assistance application if the patient submits recent pay stubs or a recent tax return showing income.

- F. **Confidentiality of Financial Assistance Documents.** Watsonville Community Hospital will not use information obtained from income tax returns, pay stubs, or monetary asset documentation collected for the discounted payment or charity care eligibility determination for collection activities. Watsonville Community Hospital will ensure that all financial assistance documentation is used solely for eligibility review and not shared with any collection agency.
- G. **Hospital Oversight of Collections Referrals.** All patient or guarantor debt advanced to a collection agency will be reviewed by Watsonville Community Hospital's Revenue Cycle Director or hospital designee.
- H. **Pre-Collections Patient Notification Requirements.** Prior to assigning a patient's or guarantor's account to a collection agency, Watsonville Community Hospital will send the patient a notice with the following information:
 - 1. The date(s) of service of the account being assigned to collections.
 - 2. The name of the entity the bill is being assigned to.
 - 3. A statement informing the patient how to obtain an itemized hospital bill from Watsonville Community Hospital.
 - 4. The name and plan type of the health coverage for the patient on record with Watsonville Community Hospital at the time of services or a statement that Watsonville Community Hospital does not have that information.
 - 5. A financial assistance application.
 - 6. The date or dates the patient was originally sent a notice about applying for financial assistance, the date or dates the patient was sent a financial assistance application, and, if applicable, the date a decision on the application was made.
- I. **Prohibited Collection Methods by Hospital.** Watsonville Community Hospital will not, in dealing with patients eligible under Watsonville Community Hospital's financial assistance policy, use wage garnishments or liens on primary residences as a means of collecting unpaid hospital bills.
- J. **Prohibited Collection Methods by Agencies.** The collection agency will not, in dealing with any patient eligible under Watsonville Community Hospital's

financial assistance policy, use as a means of collecting unpaid hospital bills any of the following:

1. A wage garnishment, except by order of the court upon noticed motion, supported by a declaration filed by the movant identifying the basis for which it believes that the patient has the ability to make payments on the judgment under the wage garnishment, which the court will consider in light of the size of the judgment and additional information provided by the patient prior to, or at, the hearing concerning the patient's ability to pay, including information about probable future medical expenses based on the current condition of the patient and other obligations of the patient.
2. Notice or conduct a sale of the patient's primary residence during the life of the patient or the patient's spouse, or during the period a child of the patient is a minor, or a child of the patient who has attained the age of majority is unable to take care of themselves and resides in the dwelling as their primary residence. In the event a person protected by this paragraph owns more than one dwelling, the primary residence will be the dwelling that is the patient's current homestead, as defined in Section 704.710 of the California Code of Civil Procedure, or was the patient's homestead at the time of the death of a person other than the patient who is asserting the protections of this paragraph.

- K. **Permitted Third-Party Reimbursement Efforts.** This requirement does not preclude a hospital, collection agency, debt buyer, or other assignee from pursuing reimbursement and any enforcement remedy or remedies from third-party liability settlements, tortfeasors, or other legally responsible parties.

VI. LIMIT ON CHARGES

For patients who qualify for discounted payment, Watsonville Community Hospital limits the amount the patient is responsible to pay for emergency or medically necessary services to no more than what the hospital would expect to receive from Medicare or Medi-Cal, whichever is greater.

VII. AUTHORIZED BODY AND REPORTING REQUIREMENTS

The Watsonville Community Hospital executive team will review and update this policy and make recommendations to the Watsonville Community Hospital Board of Directors on a biennial basis (i.e., every other year) unless there are changes in the California

Health and Welfare Code section 127400-127449, Internal Revenue Code 501(r), or any other regulations deemed to impact this policy.

Watsonville Community Hospital is required to upload this policy to the California Department of Health Care Access and Information at least biennially on January 1, or when a significant change is made.