



**Policy:** Bad Debt Collections

**Department:** Credit and Collections

**Effective Date:** 12/28/2006

**Revision Date(s):** 12/2006, 8/2010,  
7/2014, 3/2019, 3/2022, 8/2025

**Review Date(s):** 8/2025

## **I. Purpose**

The purpose of this Bad Debt Collections Policy is to comply with and provide information regarding the billing and collections of patient data pursuant to the California Health and Safety Code, the Federal Patient Protection and Affordable Care Act, and the policies and practices of Mad River Community Hospital (MRCH).

## **II. Policy**

In the interest of promoting financial stability and conserving resources for patient care, this policy will provide a clear and consistent process for conducting billing and collection functions at MRCH that ensure that debts owed by Guarantors for medical services provided by MRCH are collected in a manner that promotes patient satisfaction, efficiency, and compliance in accordance with legal and regulatory requirements.

## **III. Definitions**

- A. Financial Assistance: Assistance provided to patients for whom it would be a financial hardship to fully pay the expected out-of-pocket expenses for Medically Necessary Services (as defined in Financial Assistance Charity Care Policy) provided by MRCH and who meet the eligibility criteria for such assistance. Financial Assistance is Charity Care.
- B. Guarantor: For the purposes of this policy, the individual who is financially responsible for payment of an account balance. The guarantor may or may not be the patient.

## **IV. Procedure**

- A. MRCH will pursue payment for debts owed for health care services provided by MRCH and all Clinic subsidiaries, including designating unpaid amounts as bad debt and assigning such amounts to collections, according to MRCH policy and procedures as summarized in this policy. Collections action shall be undertaken at MRCH's discretion in accordance with this policy and shall be in compliance with relevant state and federal laws and regulations regarding the collection of bad debt.
- B. All patient account balances meeting one or more of the following criteria are eligible for placement with a collection agency:
  - 1. MRCH made diligent efforts to inform patients of their financial responsibilities and available financial assistance options and has attempted to collect payment using reasonable collection efforts using billing statements, written correspondence, and phone calls.
  - 2. MRCH has made reasonable efforts to determine a patient's eligibility for financial assistance under MRCH's Financial Assistance Charity Care Policy.
  - 3. MRCH has made reasonable efforts to mail at least five (5) billing statements and/or letters after the date of discharge with Final Demand notice appearing on the last letter, indicating the account may be placed with a collection agency. Three (3) of the five (5) billing notices include a notice about the MRCH Financial Assistance Charity Care program.
  - 4. Accounts with a "Mail Return" status are eligible for collection assignment after all good faith efforts to identify a correct address have been documented and exhausted.
- C. Every statement will include a notice that explains nonprofit credit counseling may be available in the area and provide the following notice to the patients in plain language a summary of their rights under various laws:

State and federal law require debt collections to treat you fairly and prohibit debt collections from making false statements or threats of violence, using obscene or profane language, and making improper communications with third parties, including your employer. Except under unusual circumstances, debt collectors may not contact you before 8:00 a.m. or after 9:00 p.m. In general, a debt collector may not give information about your debt to another person, other than your attorney or spouse. A debt collector may contact another person to confirm you location or to enforce a judgment. For more information about debt collections activities, you may contact the Federal Trade Commission by telephone at 1-877-FTC-HELP (3824357) or online at [www.ftc.gov](http://www.ftc.gov).

- D. If a patient currently has accounts with unresolved bad debt balances, MRCH, reserves the right to send other open accounts with patient balances to collections earlier.
- E. MRCH will suspend all collection actions if a completed Financial Assistance Application, including all required supporting documentation, is received.
- F. All patient balances qualify for interest free extended payment plans. The payment plan shall be negotiated with the patient to fit within their monthly budget.
- G. If a Guarantor disagrees with the account balance or is requesting for financial assistance, the Guarantor may request the account balance be researched and verified prior to account assignment to a collection agency by contacting our Credit and Collections department.
- H. Accounts at a collection agency may be recalled and returned to MRCH at the discretion of MRCH and/or according to state and federal laws and regulations. MRCH may choose to work the accounts to resolution with the Guarantor or a third party as needed, or place the accounts with another collection agency.
- I. Documentation of income or assets obtained from a Guarantor during the process of determining their eligibility for Financial Assistance shall not be used for collections activities; provided, however, that this does not prohibit the use of information obtained by MRCH or collection agencies independently of the eligibility process for Financial Assistance.
- J. MRCH shall forward accounts to a third-party debt recovery service vendor using the process approved and under the authority of the Revenue Enhancement Manager.

Policy Author: Jon Hansard, Patient Financial Services Manager 12/2006

Original Date:

References: California Health and Safety Code 127400-127462 as applicable  
Federal Patient Protection and Affordable Care Act  
Section 501(r) of the Internal Revenue Code and regulations thereunder

Distribution:

Revision: 3/2019