

NORTHERN INYO HEALTHCARE DISTRICT

Title: Bad Debt Policy

Owner: Director of Revenue Cycle

Department: Revenue Cycle **Scope:** Revenue Cycle Team

Original approval date: 10/2002

Last review date: 06/09/2025

Final Approval by: NIHD Board of Directors

PURPOSE:

This policy ensures Northern Inyo Healthcare District's billing and collection practices comply with California and federal law, promote financial transparency, and protect patients, particularly those eligible for financial assistance.

DEFINITIONS:

Accounts receivable and notes receivable: These are designations for claims arising from rendering services and are collectible in money in the relatively near future.

Agency Placement: Outside collection agencies are used to collect accounts in Bad Debt Collection Status. When an account is in Bad Debt Collection Status, it has not been deemed totally worthless and uncollectible.

Allowable Bad Debts: Allowable bad debts are bad debts of the provider resulting from uncollectible deductibles and coinsurance amounts and meeting the criteria set forth in Section 308 of the CMS Provider Reimbursement Manual. Allowable bad debts must relate to specific deductibles and coinsurance amounts.

Bad Debts: Bad debts are amounts considered to be uncollectible from accounts and notes receivable which are created or acquired in providing services. Bad debt is an uncollectible account resulting from the extension of credit.

Contractual Allowances or Discounts: Contractual allowances or discounts are the excess of the hospital's normal charge for healthcare services over the payment received from third party payors under contractual agreements.

Charity Allowances: Charity allowances are reductions in charges made by the provider of services because of the indigence or medical indigence of the patient.

Deductible and Coinsurance Amounts: Deductible and coinsurance amounts are amounts payable by beneficiaries for covered services received from providers of services, excluding medical and surgical services rendered by physicians and surgeons.

Extraordinary Collection Action (ECA): Under IRC Section 501(r), tax-exempt hospitals must comply with specific financial assistance and billing regulations. Hospitals cannot engage in Extraordinary Collection Actions (ECAs) before making reasonable efforts to determine if a patient qualifies for financial assistance.

Financial Assistance: Assistance is provided for eligible patients who are at or below 400% of the Federal Poverty Level Guidelines and out-of-pocket expenses for Medically Necessary Services or emergency services would cause financial hardship.

Financial Assistance and Charity Care Policy: A separate policy that describes NIHD's financial assistance and Charity Care program including the criteria patients must meet in order to be eligible for financial assistance as well as the process by which individuals may apply for financial assistance. This policy can be obtained free of charge at NIHD, via email, on the website, or by contacting the Credit and Billing Office.

General Credit Policy: An attempt to get the responsible party to agree to a specific payment plan. NIHD may extend credit based on information provided to the Credit and Billing Office.

Group Policy: The insurance policy purchased on behalf of the Guarantor by a larger (typically employer) group.

Guarantor: The person who is financially responsible for the patient's bill.

Medically Necessary: Health care services or supplies needed to diagnose or treat an illness, injury, condition, disease or its symptoms and that meet accepted standards of medicine.

Patient/Guarantor Responsibility: Any balance due where the financially responsible party is the patient or patient's guarantor and not a third-party payer; also known as "Self-Pay."

Patient Statement or Statement: A bill for services rendered. This can be a summary of activity or a detailed bill listing each charge and applicable credit on a patient account.

Policy Discounts: Differences between revenue recorded at established rates and amounts realizable for services provided to employees (i.e. Prompt Pay Discounts).

POLICY:

1. NIHD is committed to fair and lawful billing and collection practices. We will make reasonable efforts to determine a patient's eligibility for financial assistance before pursuing any collection actions. This policy outlines permissible collection activities and prohibits actions that violate patient protections under California's Hospital Fair Pricing Act and related laws.
2. NIHD is committed to financial stability and preserving resources for indigent care. Our policy ensures clear and consistent billing and collection practices that comply with the law, prioritize patient satisfaction, and operate efficiently.
3. Information obtained from income tax returns, pay stubs, or the monetary asset documentation collected for the discount payment or charity care eligibility determinations may not be used for collection activities.
4. Payment on accounts will be pursued consistently, regardless of race, color, religion, national origin, age, sex, sexual orientation, gender identity or expression, disability, education, employment or student status, disposition, relationship, insurance coverage, community standing, or any other discriminatory differentiating factor.

5. The guarantor is financially responsible for documented services received. It is the guarantor's responsibility to understand their insurance coverage, with self-pay liability determined by their group policy. NIHD will follow the insurance carrier's adjudication to identify self-pay balances for contracted insurance carriers.

PRACTICES:

1. Patient Billing & Communication

- a. NIHD will provide clear, itemized bills to patients and their guarantors.
- b. Patients will receive at least **two** notices before any collection action is taken.
- c. Financial assistance applications will be made available at no cost.

2. Prohibited Collection Actions

NIHD will not engage in the following actions to collect medical debt:

- a. Selling a patient's debt to a third party unless the buyer adheres to NIHD's financial assistance policies.
- b. Denying or delaying medically necessary (non-emergent) care due to unpaid bills if the patient qualifies for financial assistance.
- c. Requiring upfront payment for medically necessary (non-emergent) care if the outstanding debt is eligible for financial assistance.
- d. Placing a lien on a patient's primary residence.
- e. Foreclosing on a patient's real property.
- f. Seizing a patient's bank account or personal property without first determining financial assistance eligibility and obtaining a legal judgment.
- g. SB 1061 (2025) prohibits consumer credit reporting agencies from including medical debt information in consumer credit reports.
 - i. Violating this provision renders the medical debt void and unenforceable.

3. Permitted Collection Actions

If a patient does not qualify for financial assistance and fails to establish a payment plan, NIHD may:

- a. Refer the account to a third-party collection agency without selling the debt.
- b. File a civil lawsuit to recover unpaid debts, only after:
 - i. Determining the patient does not qualify for financial assistance.
 - ii. Providing at least 180 days' notice before legal action.
 - iii. Offering a reasonable payment plan based on the patient's income.
- c. Garnish wages or seek a writ of attachment only after obtaining a court judgment and ensuring compliance with wage garnishment limits.

4. Financial Assistance & Payment Plans

- a. NIHD will actively screen patients for charity care and financial assistance eligibility before pursuing collections.
- b. If a patient qualifies, their bill may be reduced or forgiven based on income.
- c. Patients who do not qualify may request a reasonable, interest-free payment plan.

5. Before pursuing Extraordinary Collection Actions (ECAs), hospitals must:

- a. Provide a written notice about financial assistance availability.
- b. Allow at least 120 days from the first billing statement before initiating ECAs.
- c. Give an additional 30-day notice before taking legal action.
- d. Wait at least 240 days from the first bill before selling or transferring debt.
- e. Screen for financial assistance eligibility before proceeding with ECAs.

6. NIHD may engage in Extraordinary Collection Actions such as

- a. Selling patient debt to a third party.
- b. Legal actions, including lawsuits, wage garnishment, and bank account seizures.

PROCEDURE:

1. Every patient or guarantor will be given reasonable time and communication to be aware of and understand their financial responsibility.
2. A statement of hospital and physician services will be sent to the patient or guarantor in incremental billing cycles.
3. Billing representatives may attempt to contact the patient or guarantor via telephone, mail, collection letter, text messaging, email, or any other appropriate method during the statement billing cycle in order to pursue collections.
4. NIHD will make reasonable efforts to determine a patient's eligibility for financial assistance under NIHD's Financial Assistance and Charity Care Policy
5. When all feasible collection efforts have been exhausted on an account and it has been determined that the balance is uncollectible, the account shall be identified as bad debt and will go into a "bad debt" status in the hospital billing system. NIHD will not send medical bills to a debt collection agency until the 240-day period has elapsed.
6. Collection efforts are documented in the patient's account.
7. The Chief Financial Officer, Revenue Cycle Director, or designee authorizes advancing accounts that meet the criteria listed for collection.
8. Accounts with a "Return Mail" status are eligible for collection assignment after all good-faith efforts to identify a correct address have been documented and exhausted.
9. NIHD will pursue collection actions for amounts outstanding when the patient qualified for financial assistance and partial relief was granted.
10. As stated in NIHD's Financial Assistance and Charity Care Policy, a patient may qualify for a payment plan for any patient out-of-pocket fees. The payment plan shall consider the patient's family income and the amount owed.
11. Accounts at a collection agency may be recalled and returned to NIHD at the discretion of NIHD or according to state or federal laws and regulations. NIHD 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.
12. After these items have been completed and no action to pay by the guarantor or patient was taken, the account(s) will be processed as follows:
 - a. All accounts with a balance of \$10.00 or greater will qualify for automatic placement with an outside collection agency.
 - b. All accounts with a balance of \$9.99 or less will qualify for automatic small balance write off.
 - c. After the outside collection agency determines that the debt is uncollectible or after the small balance write-off was completed, a form 1099M will be issued by February 28, if by mail, or March 31, if by electronic file to the IRS (Internal Revenue Service).

REFERENCES:

1. IRC 501-R
2. California Senate Bill 1061 (SB 1061)
3. Hospital Fair Pricing Act (AB 774)
4. Fair Debt Collection Practices Act (FDCPA)
5. Fair Credit Reporting Act (FCRA)
6. No Surprises Act
7. Medicare CMS Manual 15: The Provider Reimbursement Manual.

RECORD RETENTION AND DESTRUCTION:

Maintenance of records is for a minimum of fifteen (15) years.

CROSS REFERENCE POLICIES AND PROCEDURES:

1. Charity Care Program
2. Billing and Collections policy
3. Pricing Transparency Policy
4. Prompt Pay Discounts

Supersedes: v.3 Bad Debt

ATTENTION: If you need help in your language, please call (760) 873-5811 or visit the Compliance Office. The office is open 8 AM to 4 PM and located at 150 Pioneer Lane in Bishop, CA. Aids and services for people with disabilities, like documents in braille, large print, audio, and other accessible electronic formats are also available. These services are free.

Arabic

انتباه: إذا كنت بحاجة إلى مساعدة بلغتك، يرجى الاتصال على (760) 873-5811، TTY 711 أو زيارة مكتب الامتثال. المكتب مفتوح من الساعة 8 صباحًا حتى 4 مساءً ويقع في Pioneer Lane 150 في بيشوب، كاليفورنيا. تتوفر أيضًا وسائل مساعدة وخدمات للأشخاص ذوي الإعاقة، مثل المستندات بطريقة برايل، الطباعة الكبيرة، الصوت، وغيرها من التنسيقات الإلكترونية القابلة للوصول. هذه الخدمات مجانية.

Armenian

ՈՒՇԱԴՐՈՒԹՅՈՒՆ

Եթե Ձեր լեզվով օգնության կարիք ունեք, ինդրում ենք (760) 873-5811 կամ այցելել Compliance Office: Գրասենյակը բաց է 8 AM to 4 PM և գտնվում է 150 Pioneer Lane in Bishop, CA Առկա են նաև օժանդակ միջոցներ և ծառայություններ հաշմանդամություն ունեցող անձանց համար, ինչպիսիք են բրայլայն փաստաթղթերը, մեծ տառատեսակները, ակուդիկ և այլ մատչելի էլեկտրոնային ձևաչափերը: Այս ծառայություններն ԱՆՎՃԱՐ են

Cambodian

យកចិត្តទុកដាក់: ប្រសិនបើអ្នកត្រូវការជំនួយជាភាសាបស់អ្នក សូមទូរស័ព្ទទៅលេខ (760) 873-5811 ឬចូលទៅកាន់ការិយាល័យអនុលោមភាព។ ការិយាល័យបើកពីម៉ោង 8 ព្រឹកដល់ម៉ោង 4 ល្ងាច ហើយមានទីតាំងនៅ 150 Pioneer Lane ក្នុង Bishop, CA ។ ជំនួយ និងសេវាកម្មសម្រាប់ជនពិការ ដូចជាឯកសារជាអក្សរស្នាប ការបោះពុម្ពផ្សាយ សំឡេង និងទម្រង់អេឡិចត្រូនិកដែលអាចចូលប្រើបានផ្សេងទៀតក៏មានផងដែរ។ សេវាកម្មទាំងនេះមិនគិតថ្លៃទេ។

Chinese

注意：如果您需要语言帮助，请致电 (760) 873-5811 或访问合规办公室。合规办公室的办公时间为上午 8 点至下午 4 点，位于加利福尼亚州毕夏普市先锋巷 150 号。我们还为残障人士提供辅助工具和服务，如盲文文件、大字体文件、音频文件和其他无障碍电子格式文件。这些服务都是免费的。

FARSI

توجه: اگر به کمک به زبان خود نیاز دارید، لطفاً با شماره (760) 873-5811، TTY 711 تماس بگیرید یا به دفتر انطباق مراجعه کنید. این دفتر از ساعت ۸ صبح تا ۴ بعدازظهر باز است و در Pioneer Lane ۱۵۰ در بيشاپ، كاليفرنيا واقع شده است. همچنین، کمک‌ها و خدماتی برای افراد دارای معلولیت در دسترس است، مانند اسناد به خط بریل، چاپ بزرگ، فایل‌های صوتی، و سایر قالب‌های الکترونیکی قابل دسترس. این خدمات رایگان هستند.

Hindi

ध्यान दें: अगर आपको अपनी भाषा में मदद की ज़रूरत है, तो कृपया (760) 873-5811 पर कॉल करें या कंप्लायंस ऑफिस जाएँ। यह ऑफिस सुबह 8 बजे से शाम 4 बजे तक खुला रहता है और बिशप, CA में 150 पायनियर लेन पर स्थित है। विकलांग लोगों के लिए सहायता और सेवाएँ, जैसे ब्रेल, बड़े प्रिंट, ऑडियो और अन्य सुलभ इलेक्ट्रॉनिक प्रारूपों में दस्तावेज़ भी उपलब्ध हैं। ये सेवाएँ निःशुल्क हैं।

Hmong

CEEB TOOM: Yog tias koj xav tau kev pab ua koj hom lus, thov hu rau (760) 873-5811 lossis mus ntsib Chaw Ua Haujlwm Ua Raws Cai. Lub chaw haujlwm qhib thaum 8 teev sawv ntxov txog 4 teev tsaus ntuj thiab nyob ntawm 150 Pioneer Lane hauv Bishop, CA. Cov kev pab thiab cov kev pab cuam rau cov neeg xiam oob qhab, xws li cov ntaub ntawv nyob rau hauv daim ntawv Braille, luam ntawv loj, suab, thiab lwm yam khoom siv hluav taws xob siv tau kuj muaj. Cov kev pabcuam no pub dawb.

Japanese

ATTENTION: 日本語でのサポートが必要な場合は、(760) 873-5811 までお電話いただくか、コンプライアンス・オフィスまでお越しください。オフィスの営業時間は午前8時から午後4時までで、場所はカリフォルニア州ビショップの150 Pioneer Laneです。点字、大活字、音声、その他の利用しやすい電子形式の文書など、障害をお持ちの方のための補助およびサービスもご利用いただけます。これらのサービスは無料。

Korean

주의: 해당 언어로 도움이 필요하면 (760) 873-5811로 전화하거나 규정 준수 사무실을 방문하세요. 사무실은 오전 8시부터 오후 4시까지 운영되며 캘리포니아주 비숍의 150 파이오니아 레인에 있습니다. 점자, 큰 활자, 오디오 및 기타 접근 가능한 전자 형식의 문서와 같은 장애인을 위한 지원 및 서비스도 제공됩니다. 이러한 서비스는 무료입니다.

Laotian

ຂໍ້ຄວນລະວັງ: ຖ້າທ່ານຕ້ອງການຄວາມຊ່ວຍເຫຼືອໃນພາສາຂອງທ່ານ, ກະລຸນາໂທຫາ (760) 873-5811 ຫຼືໂປຣ໌ມຢາມຫ້ອງການປະຕິບັດຕາມ. ຫ້ອງການແມ່ນເປີດ 8 ໂມງເຊົ້າຫາ 4 ໂມງແລງ ແລະຕັ້ງຢູ່ທີ່ 150 Pioneer Lane ໃນ Bishop, CA. ການຊ່ວຍເຫຼືອ ແລະການບໍລິການສໍາລັບຄົນພິການ ເຊັ່ນ: ເອກະສານທີ່ເປັນຕົວອັກສອນນູນ, ການພິມຂະໜາດໃຫຍ່, ສຽງ ແລະຮູບແບບອີເລັກໂທຣນິກອື່ນໆທີ່ສາມາດເຂົ້າເຖິງໄດ້. ການບໍລິການເຫຼົ່ານີ້ແມ່ນບໍ່ເສຍຄ່າ.

Punjabi

ਧਿਆਨ ਦਿਓ: ਜੇਕਰ ਤੁਹਾਨੂੰ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿੱਚ ਮਦਦ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ (760) 873-5811 'ਤੇ ਕਾਲ ਕਰੋ ਜਾਂ ਪਾਲਣਾ ਦਫ਼ਤਰ 'ਤੇ ਜਾਓ। ਦਫ਼ਤਰ ਸਵੇਰੇ 8 ਵਜੇ ਤੋਂ ਸ਼ਾਮ 4 ਵਜੇ ਤੱਕ ਖੁੱਲ੍ਹਾ ਰਹਿੰਦਾ ਹੈ ਅਤੇ ਬਿਸ਼ਪ, CA ਵਿੱਚ 150 ਪਾਇਨੀਅਰ ਲੇਨ 'ਤੇ ਸਥਿਤ ਹੈ। ਅਪਾਹਜ ਲੋਕਾਂ ਲਈ ਸਹਾਇਤਾ ਅਤੇ ਸੇਵਾਵਾਂ, ਜਿਵੇਂ ਕਿ ਬ੍ਰੇਲ ਵਿੱਚ ਦਸਤਾਵੇਜ਼, ਵੱਡੇ ਪ੍ਰਿੰਟ, ਆਡੀਓ, ਅਤੇ ਹੋਰ ਪਹੁੰਚਯੋਗ ਇਲੈਕਟ੍ਰਾਨਿਕ ਫਾਰਮੈਟ ਵੀ ਉਪਲਬਧ ਹਨ। ਇਹ ਸੇਵਾਵਾਂ ਮੁਫ਼ਤ ਹਨ।

Russian

ВНИМАНИЕ: Если вам нужна помощь на вашем языке, пожалуйста, позвоните по телефону (760) 873-5811 или посетите офис по соблюдению нормативных требований. Офис открыт с 8 утра до 4 вечера и находится по адресу 150 Pioneer Lane в Бишопе, штат Калифорния. Для людей с ограниченными возможностями предоставляются вспомогательные средства и услуги, например, документы, напечатанные шрифтом Брайля, крупным шрифтом, в аудио- и других доступных электронных форматах. Эти услуги бесплатны.

Spanish

ATENCIÓN: Si necesita ayuda en su idioma, llame al (760) 873-5811 o visite la Oficina de Cumplimiento. La oficina está abierta de 8 AM a 4 PM y se encuentra en 150 Pioneer Lane en Bishop, CA. También hay disponibles ayudas y servicios para personas con discapacidad, como documentos en braille, letra grande, audio y otros formatos electrónicos accesibles. Estos servicios son gratuitos.

Tagalog

PAUNAWA: Kung kailangan mo ng tulong sa iyong wika, mangyaring tumawag sa (760) 873-5811 o bisitahin ang Compliance Office. Ang opisina ay bukas 8 AM hanggang 4 PM at matatagpuan sa 150 Pioneer Lane sa Bishop, CA. Mga tulong at serbisyo para sa mga taong may kapansanan, tulad ng mga dokumento sa braille, Malaki Available din ang print, audio, at iba pang naa-access na electronic format. Ang mga serbisyong ito ay libre.

Vietnamese

LƯU Ý: Nếu bạn cần trợ giúp bằng ngôn ngữ của mình, vui lòng gọi (760) 873-5811 hoặc đến Văn phòng Tuân thủ. Văn phòng mở cửa từ 8 giờ sáng đến 4 giờ chiều và tọa lạc tại 150 Pioneer Lane ở Bishop, CA. Các dịch vụ hỗ trợ và dịch vụ dành cho người khuyết tật, như tài liệu chữ nổi, chữ in lớn, âm thanh và các định dạng điện tử để tiếp cận khác cũng có sẵn. Các dịch vụ này miễn phí.