



Bad Debt Write Offs

1. SCOPE

Pacific Grove Hospital and its personnel.

2. PURPOSE

To ensure that when a bad debt write off occurs on an account that is fully deemed uncollectible.

3. POLICY

It is our policy to record a bad debt write off when an account has been deemed uncollectible. A patient account is considered to be uncollectible and ceases to be an asset of the facility when there is no likelihood of collection within a reasonable period of time by the facility using standard practices for the collection of debt as defined in Health and Safety Code (HSC) section 127425.

4. PROCEDURE

Collections. For all self-pay/private pay accounts, the Business Office will send monthly statements and utilize an early-out preferred vendor to collect these accounts. Accounts are placed and returned through an automated process which must be reconciled monthly by the Business Office Director.

Accounts are returned from the early out vendor within 180 days. The accounts that are not eligible for financial assistance and with no response to any attempts to collect the bill or to the financial assistance offer after 180 days are reviewed and approved by the Business Office Director and CFO for collection agency placement. The collection efforts should be consistent between all payors and must be documented in the patient's account.

Documentation must include evidence of the date the account is placed with the collection agency and the date that it is returned to the facility (i.e. collection agency reports or communications indicating active and returned accounts). Information obtained from income tax returns, paystubs, or the monetary asset documentation collected for the discount payment or charity care eligibility determinations, cannot be utilized for these collection activities.



All bad debt write-offs are performed through the use of Medicare and Non-Medicare transaction codes through the patient accounting system. These bad debt write-offs must be performed accurately and timely. They should be done, at a minimum, on a monthly basis prior to the patient accounting month end close process. These transaction codes should be recorded as a debit to the allowance for doubtful accounts and credit to accounts receivable on the balance sheet as referenced in policy **ACC-111.00**

Allowance for Doubtful Accounts.

Proper documentation of the amount written off and the approvals obtained should be maintained by the Business Office by month. The approval process must be completed before the write-offs are performed. All bad debt write-offs should follow the approval process set forth in **ACC-111.00 Allowance for Doubtful Accounts.**

Accounts are reviewed and processed for write off through the Patient Account Adjustment Authorization (PAAA) system. The Business Office Director, Chief Financial Officer and Chief Executive Officer must approve these bad debt write-offs.

Any bad debt write-offs greater than \$10,000 must also be approved by the Divisional CFO.

In accordance with policy **ACC-114.00 Accounting for Cost Report Settlements and Medicare Bad Debts**, Medicare Bad Debts must be tracked appropriately in order to receive reimbursement from Centers for Medicare and Medicaid Services (CMS). Policy **ALL.ACHC.BO.0280** has similar detailed information regarding the requirements set forth by CMS as well as the standard tracking process.

Approval Signatures

Approver

Date

Rachel Cox
Chief Financial Officer

03/2025

Donna Vig
Business Office Director

03/2025

