Bad Debt Collection Practices

Policy Statement

To ensure that follow-up for all private pay accounts is adequately and appropriately performed in a timely manner and to ensure that bad debt accounts are appropriately referred to collection agencies or adjusted as write-offs.

Policy Interpretation and Implementation

Financial Counselors shall review all outstanding private pay and payment plan accounts as needed, but no less than once per month.

Placement of bad debt accounts is made monthly by a Financial Counselor and authorized to be sent to a collection agency by the Director of Revenue Cycle.

PROCEDURE:

Collections Process:

The most current version of the Fair Debt Collection Practices Act and AB 1020 will be followed when attempting to collect from patients.

The following collection processes will be performed by one of MCHD's, in-house, Financial Counselors. Once the below procedures are followed, one of the Financial Counselors will send the patient accounts to the collection agency. The collection agency will then provide collections and negotiations services with the patient, except that any submittal for legal action must be approved by MCHD's CEO, prior to attempting legal action.

1. At least two statements, a notice of MCHD's financial assistance/charity care program, and two payment request letters will be sent.
2. At least one phone call attempt will be made.
3. At least one collection notice will be sent containing the following information:

    a. The date or dates of service of the bill that is being assigned to collections or sold;
    b. The name of the entity the bill is being assigned or sold to;
    c. A statement informing the patient how to obtain an itemized hospital bill from the hospital;

d. The name and type of health coverage plan for the patient on record with the hospital at the time of services, or a statement that the hospital does not have that information;
e. An application for the hospital's charity care and financial assistance; and
f. 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.
g. The following statement: "State and federal law require debt collectors to treat you fairly and prohibit debt collectors 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 your location or to enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission by telephone at 1-877-FTC-HELP (382-4357) or online at www.ftc.gov."
h. The following statement: "Nonprofit credit counseling services may be available in the area."

4. The patient's account must be overdue by at least 180 days from the first statement or letter date. A statement, stating that a patient will not be sent to bad debt within 180 days from the first statement will be included with the first written communication to the patient.
5. Should a patient only have one account in the system under $20.00, the account will be written off as a small balance.
6. Documentation of all collection work will be noted on the patient account.
7. If a patient is attempting to qualify for eligibility under charity care or discount payment policy and is attempting in good faith to settle an outstanding bill with MCHD by negotiating a reasonable payment plan or by making regular partial payments of a reasonable amount, MCHD shall not send the unpaid bill to any collection agency, debt buyer, or other assignee.
8. If a patient has a payment plan and has failed to make all consecutive payments due during a 90-day period, MCHD will attempt by phone call and in writing to renegotiate a reasonable payment plan. If the patient fails to renegotiate or to contact MCHD, the payment plan will become inoperable, and the account will be sent to a collection agency after notices have been sent as outlined in this policy.
9. If a patient is in process of applying for third party coverage or pending an appeal for third party coverage, the patient may not be sent to a collection agency.

For a listing of approve definitions for spouse, marriage, family or relative reference the District Wide Policy titled "Approved Definitions Based on the Critical Access Hospital Conditions of Participation".

10. MCHD will forgo garnishment of wages, liens on a primary residence, applying interest to debt, adverse credit reporting, or filing of a lawsuit. Once an account is assigned to a collection agency, debt buyer or other assignee, they may pursue reimbursement and any enforcement remedy or remedies from third-party liability settlement, tortfeasors, or other legally responsible parties.
11. Information from income tax returns, paystubs, or the monetary asset documentation collected for the discount payment or charity care eligibility determinations cannot be used for collection activities.

Billing Disputes

1. If at any time prior to sending the account to bad debt, the patient does not agree with the charges, the charges will be reviewed by a Health Information coder for accuracy.
2. If changes are required, the patient will be notified and the charges will be re-billed to the insurance company, if applicable. If the patient does not have insurance, a new bill will be sent directly to the patient.
3. If the patient still does not agree with the findings, processes will be followed as per MCHD's Billing Dispute Policy.

Contracted Collection Agency

MCHD will ensure the following when contracting with a collection agency.

1. Include contractual language in which the collection agency agrees to abide by all Federal and California State fair debt and bad debt collection laws.
2. Include contractual language in which the collection agency agrees to meet key components of this collection policy as well as any legal requirement that would apply if action were taken directly by the hospital.
3. Include in contractual language in which the collection agency agrees to send attestation of compliance with the hospital's bad debt policies and obligations, and compliance with Federal and California State collections regulations.
4. The debt buyer will forgo credit reporting of medical debt as regulated by SB 1060.
5. Lawsuits recommended by agency may be initiated only through express written authorization of the Chief Executive Officer and in compliance with this policy.
6. Obtain a HIPAA Business Associate Agreement

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Contracted Debt Buyer

MCHD will ensure the following when contracting with a debt buyer.

1. Include contractual language in which the debt buyer agrees to abide by all fair debt and bad debt collection laws.
2. Include contractual language in which the debt buyer agrees to meet key components of this collection policy as well as any legal requirement that would apply if action were taken directly by the hospital.
7. Include in contractual language in which the debt buyer agrees to send attestation of compliance with the hospital's bad debt policies and obligations, and compliance with Federal and California State collections regulations.
8. Lawsuits recommended by debt buyer may be initiated only through express written authorization of the Chief Executive Officer and in compliance with this policy.
9. The debt buyer will forgo credit reporting of medical debt as regulated by SB 1060.
10. Obtain a HIPAA Business Associate Agreement
11. Include contractual language in the sales agreement in which the debt buyer agrees to return and the hospital agrees to accept any account in which the balance has been determined to be incorrect due to the availability of a third-party payer, including a health plan or government health coverage program, or the patient is eligible for charity care or financial assistance.
12. Include in the contract that the debt buyer may not charge the patient interest or fees on patient debt.
13. Confirm that the debt buyer is licensed by the Department of Financial Protection and Innovation.

Bad Debt Cost Reporting

All bad debt recoveries for previous years of bad debts claimed on cost reports will be reported during the cost reporting period year for which the bad debt was recovered.

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