

## Billing, Collections and Bad Debt Review, 15801

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### I. PURPOSE

To give clear instructions for Sharp HealthCare hospitals to handle billing and collections in a way that follows the law. Set the rules for collecting money owed for visits and for identifying bad debt referrals.

### II. SCOPE

This policy applies to all Sharp HealthCare Hospitals and Hospital Services. This policy also applies to any collection agency working for the Hospital. Unless otherwise specified, this policy does not apply to doctors or other health professionals, including emergency room doctors, anesthesiologists, radiologists, pathologists, etc., whose services are not part of the Hospital bill. This policy does not require the Hospital to pay for these doctors' or health professionals' services.

### III. DEFINITIONS

- A. **Financial Assistance Policy (FAP):** The written policy of Sharp HealthCare hospitals that explains who qualifies and the steps for Charity Care and discount programs.
- B. **Financial Assistance or Charity Care:** Free care or full help is given to patients who qualify, removing their entire bill. Charity Care does not lower what a third-party may need to pay for services.
- C. **Discounted Payment Amount following Amount Generally Billed (AGB):** Care that costs less but is not free. This amount is based on IRS rules. Sharp HealthCare uses a planned method to figure the AGB and estimates what Medicare would pay.
- D. **Hospital or Sharp HealthCare Hospitals:** Means (a) all licensed hospital buildings run by Sharp HealthCare; (b) any hospital where Sharp HealthCare or an Affiliated Entity owns more than 50%; and (c) all closely related entities, as defined in 26 C.F.R. § 1.501(r)-1(b)(28), if they give emergency care.
- E. **Hospital Services:** All needed care given by Sharp HealthCare hospitals.
- F. **Guarantor:** If not the patient, a guarantor is the person responsible for the patient's healthcare costs, usually a parent or legal guardian.

**G. Patient Family:**

- For patients 18 or older, “patient’s family” includes dependent children of any age if they are disabled.
- For patients under 18 or ages 18–20 who are dependent, “patient’s family” includes other dependent children of the parents or caretakers if those children are disabled.

**H. Billed Charges:** The full amount a hospital usually bills for services.

**I. Patient Responsibility:** The part of the bill the patient must pay after insurance, adjustments or discounts have been applied.

**J. Third Party Payor:** A non-government payer that covers healthcare costs for a patient.

**K. Collection Agency:** A company hired by a hospital to collect payment from patients.

**L. Uninsured Patient:** A patient with no insurance or way to pay for care, including job-based plans, Medicare, Medi-Cal, car insurance for medical costs, or other insurance.

**M. Self-pay patient:** A patient with insurance who does not submit a claim for covered or non-covered services.

**N. Uninsured Patient:** A patient with no insurance or way to pay for care, including job-based plans, Medicare, Medi-Cal, car insurance for medical costs, or other insurance.

**O. Insured Patient:** A patient with insurance to help pay for care. This can be private insurance, Medicare, Medi-Cal, or another program.

**P. Extraordinary Collection Action (ECA):**

a. Includes:

- i. Assigning hospital debt to a third party like a collection agency.
- ii. Denying or delaying needed care, or asking for payment before care, because of unpaid bills.
- iii. Legal actions not taken by Sharp HealthCare, such as:
  - Placing a lien on property
  - Obtaining an order for examination
  - Seizing bank accounts
  - Filing a civil lawsuit
  - Causing an individual to be subject to arrest

- Garnishing wages
- b. ECA Restrictions: The hospital or any affiliate or subsidiary cannot use wage garnishments or property liens to collect unpaid hospital bills from patients who qualify for charity care or discount payment programs.
- c. ECA does not include:
  - i. If a hospital assigns a patient's debt to another party and there is a legal agreement that stops the assignee from using extraordinary collection actions (ECAs), the assignment must be limited.
    - Sharp HealthCare does not sell accounts to bad debt agencies. Sharp HealthCare may assign accounts to a bad debt agency.
    - The debt can be returned to the Hospital if the patient is found eligible for Financial Assistance.
    - Delay or denial of needed care because of an unpaid balance for prior services is not allowed.
  - ii. Any lien the Hospital can legally claim under state law on money from a judgment, settlement, or compromise for personal injuries where the Hospital provided care. This includes liens under Civil Code sections 3040 or 3045.

Q. **Statement Levels:** This means the number of statements sent to a patient.

- The first statement is mailed after the visit is billed and the patient's responsibility is set.
- More statements are mailed about every 28 days for a total of 4 billing cycles.
- A "Goodbye Letter" is mailed to any guarantor who still owes charges after the fourth statement and 10 days before the account is sent to bad debt.

R. **Contact:** Hospital may call patients using direct or automated systems to offer payment plans, help with government funding, or financial assistance. Hospitals must follow the Rosenthal Act, Fair Debt Collection Practices Act (FDCPA), Health Insurance Portability and Accountability Act (HIPAA), and Telephone Communication Practices Act (TCPA).

- S. **Bad Debt:** Bad debt means money owed to a hospital for services when:
- a. The patient or guarantor refuses to pay or does not agree to a payment plan.
  - b. Hospital cannot reach patient or guarantor because of missing information, returned mail, or no response.
    - Accounts with no information or returned mail may be sent to bad debt anytime.
    - Accounts with no response after standard billing cycles may also be sent to bad debt.
  - c. The collection agency cannot use ECAs or report negative information to credit bureaus.
- T. **Patient Provider Dispute Resolution (PPDR):** Uninsured or self-pay patients can dispute their bill if it is \$400 or more above the estimate. An independent third party will decide the correct amount the patient should pay.
- U. **Medical Debt:** Medical debt means money owed for medical services, products, or devices. It includes current or paid bills.
- a. “Medical service, product, or device” does not include cosmetic surgery, but does include:
    - Any service, drug, medication, product, or device sold, offered, or provided to a patient by licensed health care facilities or providers.
    - Reconstructive surgeries and follow-up care needed by the doctor.
    - Prosthetic devices and follow-up care needed by the doctor.
    - A mastectomy.
- V. **Good Faith Estimate (GFE):** A document that gives an estimated cost for medical services to patients before care.

## **IV. POLICY**

Sharp HealthCare will bill patients and third-party payers accurately, on time, and in line with the law, including California Health and Safety Code section 127400 and IRS rules under section 501(r) of the Internal Revenue Code.

## **V. PROCEDURES**

Hospitals will make reasonable efforts to contact the patient or guarantor to resolve unpaid bills. Bad debt will go to a collection agency only after several attempts by statement, or phone, or if no contact information is available, or if no payment agreement is made. The main goal of contacting the patient or guarantor to help resolve the bill. If the patient or guarantor refuses to pay or cannot be reached, the account may be placed for bad debt.

### **A. Billing Third-Party Payers**

1. **Getting Coverage Information:** Hospitals will try to find out if the patient has private or public insurance that may cover all or part of the care.
2. **Billing Third-Party Payers:** Hospitals will work to collect money from all payers, including contracted and non-contracted payers, indemnity payers, liability and auto insurers, and government programs. Sharp HealthCare will bill all payers based on information given or confirmed by the patient or their representative, and will do so promptly.

### **B. Billing Patients:** Sharp HealthCare will bill the patient for services rendered or shall grant authority to the collection agency to pursue collections on behalf of Sharp Hospitals.

1. **Billing Insured Patients:** Hospitals shall bill insured patient or other insurance listed for the patient responsibility amount as computed by the Explanation of Benefits (EOB).
2. **Billing Uninsured Patients:** Hospitals will bill uninsured patients for services using the hospital's billed charges, minus the standard uninsured discount.
  - a. For scheduled services, payment is due before services.
    - i. Good Faith Estimates for expected services will be given within 3 business days if scheduled more than 10 days ahead.
      - a. If scheduled within 3 days of service, the estimate will be given within 1 business day.
    - ii. If the actual bill is \$400 or more above the estimate, the patient can start the PPDR process.

- b. Standard Uninsured Discount: 25% off billed charges for inpatient and outpatient services. The Uninsured Patient Discount does not apply to patients who receive services that are already discounted (i.e., package discounts or cosmetic services). Case rate and package rate pricing should not result in an expected payment that is less than what the Hospital would expect had the uninsured patient discount been applied to billed charges for the services.
- 3. **Financial Assistance Information:** All patient bills must include the Notice of Rights, found on the back page of the billing statement (Attachment A to this Policy). This notice explains that Financial Assistance is available to eligible patients. Each Hospital must make reasonable efforts to check if a patient qualifies for Financial Assistance under its policy. A hospital is considered to have made reasonable efforts if any of these happen:
  - a. Presumptive Eligibility
  - b. Complete Application
  - c. Before Collection Actions the Hospital must send the patient a Goodbye Letter
  - d. Incomplete Application:
    - i. If the patient sends an incomplete application, the hospital will explain what is missing and give time to finish it. The hospital will stop collection actions and send a written notice with details, including a phone number and office address for help.
- 4. **Detail Bill:**
  - a. Patients can ask for an itemized statement (IZ) for their account anytime. Flat rate itemized statements will not include charges.
- 5. **Disputes:**
  - a. Patients can dispute a charge on their bill by phone or in writing. If they ask for documentation, staff will try to provide it within 10 days.
    - i. During a dispute:
      - All collection activity will pause until the dispute is resolved.
      - Hospitals will review timing rules under PPDR.

**C. Good Faith Estimates (GFE):**

1. **Notice of Right to Request GFE:**  
Uninsured and self-pay patients must be told—both verbally and in writing—that they have the right to ask for a GFE before scheduling a service. If they do not ask, a GFE of expected charges must be given when the service is scheduled.
2. **Content of the GFE:**  
The GFE must show expected charges, including any discounts or adjustments the provider expects to apply to the patient's billed charges.
3. **Delivery of GFE:**  
The GFE must be sent by the patient's chosen method—paper or electronic (such as email or patient portal). If sent electronically, it must be easy to save and print.
4. **Timing of GFE Delivery:**
  - If requested before scheduling, the GFE must be provided within 3 business days.
  - If scheduled 3–10 days in advance, the GFE must be provided within 1 business day.
  - If scheduled 10 or more days in advance, the GFE must be provided within 3 business days.

**D. Uninsured/Self-Pay Dispute Resolution:**

1. Patients can start a dispute (PPDR) process if the actual bill is \$400 or more above the GFE.
2. They must start the process within 120 days of getting the first bill by submitting a notice through the Federal IDR (Federal Independent Dispute Resolution) portal or by mail to the U.S. Department of Health and Human Services.

**E. Collection Practices:** Hospitals may use reasonable efforts to collect payment.

1. The hospital may send statement or make phone calls.
2. No collections during Financial Assistance review: Hospitals and collection agencies cannot pursue payment or start ECAs while a Financial Assistance application is being reviewed.
3. No Use of Financial Assistance Info: Information from a Financial Assistance application cannot be used for collections.
4. Payment Plans:
  - a. Hospitals may offer payment plans for patients who cannot pay in full.



- b. Plans must be interest-free, and patients can negotiate terms. If no agreement is reached, hospitals must offer a minimum monthly payment option.
- c. Before ending a payment plan, hospitals must try to renegotiate if the patient asks.
  - i. Rules for Ending a Payment Plan:
    - a. The 90-day period starts after the first missed payment.
    - b. Notices must be sent at least 60 days after the missed payment, giving 30 more days to pay.
    - c. If the plan ends, the patient's responsibility cannot exceed the discounted amount, and any payments made will count.

5. Collection Agencies:

Hospitals may refer accounts to a collection agency only if:

- a. There is a written agreement with the agency.
- b. The agency follows Sharp HealthCare's mission, values, and policies.
- c. The agency agrees not to use ECAs.
- d. The hospital keeps ownership of the debt (it is not sold).
- e. All third-party payers have been billed first.
  - i. The agency must:
    - a. Identify patients who may qualify for Financial Assistance and refer them back to the hospital.
    - b. Stop ECAs until Financial Assistance eligibility is resolved.
    - c. Ensure patients do not pay more than they owe under the policy.
    - d. Reverse any ECAs if the patient qualifies for assistance.
    - e. If the debt is transferred to another party, the new party must agree to these same rules.
- f. Billing Third-Party Payers:

All third-party payers must be billed correctly. A collection agency cannot bill a patient for any amount that a third-party payer is responsible for.



- g. Notice to Patients:  
When notified, the collection agency must send every patient a copy of the Notice of Rights and a Goodbye Letter.
- F. **Third-Party Liability:** This policy does not prevent hospital affiliates or outside collection agencies from pursuing third-party liability if they follow the Third-Party Lien Billing Practices.
- G. **Credit Reporting Restrictions:** For any contract creating medical debt, the holder of the debt cannot share information about it with a credit reporting agency, as stated in Section 1785.27 of the Civil Code. If someone knowingly violates this rule by reporting the debt, the debt becomes void and unenforceable, and legal penalties may apply.