Rady Children's Hospital San Diego ☒ **P O L I C Y** ☐ **PROCEDURE** ☐ **STANDARD OF CARE** ☐ **STANDARDIZED PROCEDURE** ☐ **GUIDELINE** ☐ **OTHER**	APPROVAL DATE: **January 2025**	MANUAL: **Hospital Policy** TRACKING #: **HPM 7-56**
	TITLE: **BILLING AND DEBT COLLECTIONS**	
	PERFORMED BY **All RCHSD and RCSSD Departments, Revenue Cycle, Patient Financial Services, Patient Access and Financial Counselors**	

1.0 PURPOSE:

1.1 To establish billing and debt collection practices in compliance with Federal and California laws and regulations.

2.0 DEFINITIONS:

2.1 **Authorized Vendor** means a third-party vendor authorized by Rady Children's to perform various functions for Rady Children's, including, but not limited to, billing of patients and collection of unpaid patient bill**.**

2.2 **Charity Care** means free health care.

2.3 **Collection Agency** is an Authorized Vendor that engages in debt collection activities after the patient has failed to pay, or make arrangements acceptable to Rady Children's to pay, a bill issued as part of the hospital's normal billing cycle. The term Collection Agency does not include an Authorized Vendor carrying out Rady Children's normal billing function.

2.4 **Cost Sharing Benefit Program (CSBP),** a membership-based program where a member pays a regular (typically monthly) membership fee and fees are distributed each month to members in need of assistance with their medical expenses. Typically benefit programs will not agree to be billed directly and have an agreement with their members to reimburse them for their medical expenses.

2.5 **Debt Collection** means all communication about payment by Rady Children's (or its assignee, including a subsidiary, affiliate, collection agency, or purchaser of its debt) with the patient/Guarantor after the initial bill is sent.

2.6 **Payment** means a situation where the Hospital has determined the patient does not qualify for Full Charity Care but is eligible for a discount and is expected to pay only a part of the bill. This is a form of Partial Charity Care.

2.7 **Emergency Physician** means a physician who is a member of the Hospital Medical Staff and is contracted by the Hospital to provide emergency medical services in the emergency department (ED). Emergency Physician does not include a physician specialist who is called into the ED or who is on staff, or has privileges, at the Hospital outside of the ED.

2.8 **Essential Living Expense** means expenses for any of the following: rent or house payment and maintenance, food and household supplies, utilities and telephone, clothing, medical and dental payments, insurance, school or childcare, child or spousal support, transportation and auto expenses, including insurance, gas, and repairs, installment payments, laundry and cleaning, and other extraordinary expenses.

2.9 **Extraordinary Collections Activities (ECAs)** include placing a lien on individual's property, foreclosing on real property, attaching or seizing an individual's bank account or other personal property, commencing a civil action against an individual or writ of body attachment, causing an individual's arrest, deferring or denying medically necessary care because of nonpayment of a bill for previously provided care covered under the FAP, requiring payment before providing medically necessary care because of outstanding bills for previously provided care, garnishing an individual's wages, and certain sales of the patient's debt to another party. ECAs do not include transferring of an account to an Authorized Vendor for purposes of collection without the use of any ECAs.

2.10 **Family or Patient's Family** means,

2.10.1 For patients 18 years of age and older, the patient's spouse, registered domestic partner, and dependent children under 21 years of age, or any age if disabled, whether living at home or not.

2.10.2 For patients under 18 years of age, or a dependent child 18 to 20 years of age, the Family includes the patient's parent, caretaker relatives, and other children (under 21 years of age) of the parent or caretaker relative.

2.11 **Financial Assistance Program (FAP)** means the Rady Children's program described in the Financial Assistance policy (cited in Related Policies, below), which is designed to assist Financially Qualified Patients in obtaining Discounted Payments or Charity Care for Hospital services and Emergency Physician services.

2.12 **FAP Participant** means a Rady Children's Financially Qualified Patient.

2.13 **Financially Qualified Patient** means:

2.13.1 Uninsured Patient with Family income at or below 550% of the FPL; or

2.13.2 Insured Patient or Uninsured CSBP Patient with High Medical Costs and a Family income at or below 450% of the FPL; or

2.13.3 Insured Patient or Uninsured CSBP Patient with non-covered charges and a Family income at or below 450% of the FPL; or

2.13.4 A patient, whether uninsured, insured, or a CSBP member, who has High Medical Costs.

2.14 **Goodbye Letter** is a notice Rady Children's is required to send before assigning an account to collections or selling an account to a debt buyer.

2.15 **Guarantor** means the person with financial responsibility for the patient's health care services, usually the patient, parent, or legal guardian.

2.16 **High Medical Costs** means any of the following, as applied to the date(s) of service:

2.16.1 Annual out-of-pocket costs incurred by the patient at the Hospital exceeding 10% of the Family Income in the prior 12 months. Out-of-pocket costs means any expenses for medical care that are not reimbursed by insurance or a health coverage program, such as Medicare copays or Medi-Cal cost sharing. This is determined by comparing the patient/Guarantor's out of pocket costs for the patient to the Patient's Family Income for the same prior 12 month period. For example, if the patient/guarantor submits a Financial Assistance Application (FAA) on January 1st, documentation of income and expenses should be provided for the prior January 1st thru December 31st.

2.16.2 Annual out-of-pocket costs incurred by the patient at the Hospital exceeding 10% of the current Family Income. Out-of-pocket costs means any expenses for medical care that are not reimbursed by insurance or a health coverage program, such as Medicare copays or Medi-Cal cost sharing. When current income is used as the basis for the determination, financial counseling will use income as of the month of the financial assistance application (FAA) and multiply it by 12 to determine projected annual income.

2.16.3 Annual out-of-pocket costs that exceed 10% of the Family Income in the prior 12 months or the current Family Income if the patient/Guarantor provides documentation of medical expenses paid in the prior 12 months. Out-of-pocket costs means any expenses for medical care that are not reimbursed by insurance or a health coverage program, such as Medicare copays or Medi-Cal cost sharing. This is

determined by comparing total medical expenses, including those not incurred at Hospital, actually paid for the patient, to the patient's Family Income. If current income is used, financial counseling will use income as of the month of the financial assistance application (FAA) and multiply it by 12 to determine projected annual income.

2.17 **Insured Patient** means a patient who has coverage through a Third-Party Payer, such as a health insurer, health care service plan, Medicare, or Medicaid.

2.18 **Medical Debt** means a debt owed by a consumer to a person whose primary business is providing medical services, products, or devices, or to the person's agent or assignee, for the provision of medical services, products, or devices. Medical debt includes, but is not limited to, medical bills that are not past due or that have been paid.

2.19 **No Surprises Act** applies to hospitals and providers; extends financial and information protections to individuals covered by commercial plans and imposes new limits on balance billing and patient cost sharing for Uninsured and Self-Pay Patients.

2.20 **Patient/Family Income** means income calculated as follows: Patient's and Family gross income before taxes, less payments made for alimony and child support (Retirement or deferred-compensation plans qualified under the Internal Revenue Code, or nonqualified deferred-compensation plans, shall not be included in income calculations.)

2.21 **Payment Plan** means monthly payments of agreed upon terms between the Hospital and the patient/Guarantor.

2.22 **Reasonable Payment Plan** means monthly payments that are not more than 10% of a patient/Family Income for a month, excluding deductions for Essential Living Expenses.

2.23 **Self-Pay Patient** means a patient who does not have or chooses not to use third-party coverage from a health insurer, health care service plan, Medicare, or Medicaid, and whose injury is not a compensable injury for purposes of worker's compensation, automobile insurance, or other insurance as determined and documented by the Hospital.

2.24 **Financially Qualified Self-Pay Patients** are Patients with coverage through a Third-Party Payer or other Third-Party Coverage and Patient/Family Income does not exceed 550% of the FPL. Financially Qualified Self-Pay Patients may include Charity Care patients.

2.25 **Third-Party Coverage** means coverage by a Third-Party Payer or through a Cost Sharing Benefit Program.

2.26 **Third-Party Payer** means private insurance or entity that pays medical claims on behalf of the insured, reimburses and manages health care expenses and offers health insurance including coverage offered through the California Health Benefits Exchange, Worker's Compensation, automobile insurance, as well as government health care program coverage such as Medi-Cal, CCS, TRICARE. Medicare, CHAMPUS, Healthy Families.

2.27 **Uninsured Patient** means a patient having no coverage through a Third-Party Payer.

2.28 **Uninsured CSBP Patient** means patients who are Uninsured Patients and who are members of a Cost Sharing Benefit Program.

2.29 **Share of Cost Obligation** means a health insurer sends payment for services provided directly to the insured/guarantor and not to the provider.

3.0 POLICY:

3.1 Rady Children's supports access to quality health care for children by establishing fair and transparent billing and debt collection practices for Hospital and Emergency Physician services, in compliance with California and federal laws and regulations.

3.2 **INITIAL BILLING:**

3.2.1 Prior to sending the initial bill for health care services to the patient/Guarantor, Rady Children's will:

3.2.2 Make all reasonable efforts to:

3.2.2.1 Obtain and validate from the patient/Guarantor Third-Party Payer information, in accordance with HPM 7-55, Hospital & ED Physician Fair Pricing and HPM 7-11, Financial Assistance Program policies.

3.2.2.2 Obtain benefit and prior-authorization verifications.

3.2.2.3 Obtain accurate reimbursement from any Third-Party Payer(s) through claims submission, follow up and appeal processes as needed.

3.2.2.4 Validate Third-Party Payer claim adjudication.

3.2.3 Assign to patient/Guarantor the appropriate amount of financial liability, as may be limited by Third-Party Payer adjudication (claims and payment) and/or the Financial Assistance Program, as applicable.

3.2.4 Not recalculate patient/Guarantor's financial liability based on income or assets that could not have been considered when determining FAP eligibility.

3.2.5 Not bill a balance to the patient/Guarantor for the first time if any of the following criteria are true:

3.2.5.1 At the date that billing to the patient/Guarantor is initiated, it is greater than 6 months since the date Rady Children's last received an explanation of benefits from the Third-Party Payer and no coordination of benefits (COB) or third-party-liability (TPL) letter was sent to the patient/Guarantor requesting additional information needed by their Third-Party Payer in order to reimburse Rady Children's for the services rendered.

3.2.5.2 Greater than 6 months passed between the first claim sent to the Third-Party Payer and the discharge date for the service being billed and no COB or TPL letter was sent to the patient/Guarantor requesting additional information needed by their Third-Party Payer in order to reimburse Rady Children's for the services rendered.

3.3 **BILLING NOTICES:**

3.3.1 The following information will be included in all billing notices to patients/Guarantors:

3.3.1.1 On the initial bill, an explanation of the patient balance due. Upon request, an itemized statement of charges;

3.3.1.2 On subsequent bills, a balance forward of unpaid charges;

3.3.1.3 A request for information regarding insurance coverage;

3.3.1.4 A statement that indicates that if the patient/Guarantor lacks, or has inadequate insurance coverage, and meets certain income requirements, the patient/Guarantor may be eligible for a government program (e.g., Medi-Cal, CCS, Healthy Families, or coverage offered through the California Health Benefit Exchange) or for the FAP;

3.3.1.5 A statement indicating how to obtain applications for Medi-Cal, CCS, and Healthy Families programs, coverage offered through the California Health Benefit Exchange, or other state- or county-funded health coverage program and how to obtain an FAP application; and

3.3.1.6 If patient does not indicate coverage by a Third-Party Payer, other Third-Party Coverage or requests a discounted price or charity care, Rady Children's shall provide an application for Medi-Cal or other state-or county-funded health coverage programs prior to discharge

3.3.1.7 The telephone number of the appropriate Rady Children's department to obtain further information on financial assistance and how to apply for such assistance.

3.3.1.8 A referral to a local consumer assistance center housed at legal services offices.

3.4 **PAYMENT PLANS**

3.4.1 Rady Children's:

3.4.1.1 offers to all patients/Guarantors, regardless of FAP eligibility, the option to make payments on an extended payment plan.

3.4.1.2 will negotiate the terms of a payment plan with the patient/Guarantor and will take into consideration the Patient/Family Income and Essential Living Expenses.

3.4.1.3 will use the statutory formula to create a Reasonable Payment Plan, if the Hospital and patient/Guarantor cannot agree on a payment plan.

3.4.1.4 will not charge interest on any payment plans, including those offered to a FAP Participant.

3.4.1.5 will determine the length of a payment plan by considering the size of the payment obligation and the patient/Guarantor's financial resources and Essential Living Expenses.

3.4.1.6 may render the payment plan inoperative if the patient/Guarantor fails to make all consecutive payments due during a 90 day period.

3.4.1.6.1 There will be a first attempt to contact the patient/Guarantor by phone (at last known number) and give notice in writing (at last known address), that the payment plan may become inoperative, and inform the patient/Guarantor of the opportunity to renegotiate the payment plan and attempt to do so if requested by the patient/Guarantor.

3.4.1.6.2 A report to a consumer credit reporting agency will not be initiated or a civil action will not be commenced until the payment plan is declared inoperative.

3.5 DEBT COLLECTION PROCEDURES

3.5.1 Rady Children's will:

3.5.1.1 advance a patient debt for collection, whether by the Hospital, or its assignee, including a subsidiary, affiliate, collection agency, or purchaser of its debt, only in accordance with this policy.

3.5.1.2 make reasonable efforts in accordance with its Financial Assistance Program policy to determine if a patient/Guarantor qualifies for financial assistance prior to engaging in any collection actions, including extraordinary collection actions (ECAs).

3.5.1.2.1 A patient/Guarantor will be provided instructions on how to apply for financial assistance with the initial and subsequent bills, balance reminder calls, and when calling PFS Customer Service team to inquire on account balances.

3.5.1.2.2 Once a complete financial assistance application has been submitted, the Financial Counseling Department will make the final FAP eligibility decision prior to continuing collection actions.

3.5.1.3 at least thirty (30) days prior to initiating any ECAs, provide the patient with written notice that will:

3.5.1.3.1 Indicate that Financial Assistance is available for eligible individuals;

3.5.1.3.2 Identify the ECAs Rady Children's or its Authorized Vendor intends to initiate to obtain payment for the care;

3.5.1.3.3 State a deadline after which such ECAs may be initiated that is no earlier than 30 days after the date the notice is provided; and

3.5.1.3.4 Include 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."

3.5.1.4 provide the patient with a plain language summary of Rady Children's FAP with the written ECA notice described in section 4.4.1.3.1 above.

3.5.1.5 consider using legal or judicial processes including commencing a civil action or wage garnishment proceedings, , if at least 180 days have passed after the first post-discharge billing statement.

3.5.1.6 consider reporting any unpaid Share of Cost Obligation to a credit reporting agency as medical debt if payment is not received within 60 days of notice by health insurer to the insured, or within one year after initial billing for the service, whichever is later.

3.5.1.7 provide the patient/Guarantor with a clear and conspicuous notice of the following prior to commencing collection activities: a plainly worded summary of the patient's rights pursuant to the Hospital Fair Pricing Policy law, the Rosenthal Fair Debt Collection Practices Act, and the federal Fair Debt Collection Practices Act. The notice will also include information about nonprofit credit counseling services that are available in the area. This notice:

3.5.1.7.1 Generally, will be included in the initial bill to the patient/Guarantor.

3.5.1.7.2 In all cases will be provided before sending an account to an outside collection agency.

3.5.1.7.3 Will be included in any document indicating that commencement of collection activities may occur.

3.5.1.7.4 Will include a tagline sheet with information in English and the top 15 languages spoken by limited-English-proficient individuals in California, as determined by the state Department of Health Care Services.

3.5.1.8 send the patient/Guarantor a Goodbye Letter before assigning an account to an outside collection agency and not prior to 180 days from initial bill, with the following information:

3.5.1.8.1 The date or dates of service of the bill that is being assigned to collections or sold.

3.5.1.8.2 The name of the entity the bill is being assigned to.

3.5.1.8.3 A statement informing the patient how to obtain an itemized hospital bill from the hospital.

3.5.1.8.4 The name and plan type of the health coverage for the patient on record with the hospital at the time of services or a statement that the hospital does not have that information.

3.5.1.8.5 An application for the hospital's charity care and financial assistance.

3.5.1.8.6 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.

3.5.1.9 not send an account to a collection agency when the patient/Guarantor is attempting in good faith to settle a bill by negotiating a payment plan or has submitted a complete financial assistance application.

3.5.1.10 not use patient/Family Income information obtained during the FAP eligibility process for the purpose of pursuing collection activities as described in this policy.

3.5.1.11 use personnel to perform collections activities who were not involved in the patient's FAP determination.

3.5.1.12 maintain information concerning assets or income as part of the FAP eligibility process in a separate file from information used to collect debt. The FAP eligibility file will not be available to personnel performing debt collection activities.

3.5.1.13 make its contracted collection agencies aware of the FAP so the agency can report amounts it has determined to be uncollectable due to the inability to pay in accordance with the FAP eligibility guidelines.

3.5.1.14 obtain a written agreement from each collection agency it uses or purchaser of debt in it which sells its debt, that such entity will adhere to the following:

3.5.1.14.1 Rady Children's FAP, Fair Pricing Policy, and this Billing and Debt Collection policy.

3.5.1.14.2 To be licensed as a debt collector by the Department of Financial Protection and Innovation.

3.5.1.14.3 To maintain records related to medical debt for at least five (5) years.

3.5.1.14.4 For purchasers of debt only: Not to resell or transfer the patient debt, unless the agency is sold or merged to another entity.

3.5.1.14.5 For purchasers of debt only: Not to charge interest or fees on the patient debt.

3.5.1.14.6 Exceptions:

3.5.1.14.6.1 A collection agency or debt buyer that is not an affiliate or subsidiary of Hospital may use wage garnishment against patient/Guarantor upon order of the court upon noticed motion, supported by a declaration identifying the basis for which it is believed the patient has the ability to make payments on the judgment under wage garnishment.

3.5.1.14.6.2 A collection agency or debt buyer that is not an affiliate or subsidiary of

Hospital may not notice or conduct a sale of patient/Guarantor's primary residence during the life of the patient or his/her spouse, during the period that a child of the patient is a minor, or during the period a child of the patient who has attained the age of majority is unable to take care of himself or herself and resides in the dwelling as his or her primary residence.

3.5.1.15 not report adverse information regarding medical debt to a consumer credit reporting agency or not commence a civil action within 180 days against the patient/Guarantor for patients who are Uninsured with High Medical Costs.

3.5.1.16 extend this 180 day period for patients who have a pending appeal (which includes for example a grievance, independent medical review, Medi-Cal claim fair hearing review, or Medicare coverage appeal) against a Third-Party Payer, so that the patient/Guarantor has 180 days from the date of the completion of the appeal to make payment.

3.5.1.17 recall an account from a collection agency if proof of a patient's commercial health plan or Medi-Cal eligibility is received and notify its collection agencies of coverage, instruct the agencies to cease collection efforts on the unpaid bill for the covered services, and notify the patient/Guarantor that the above steps were taken. Information previously sent to a credit reporting agency by the collection agency will be corrected within 30 days of patient eligibility verification.

3.5.1.18 recall an account from a collection agency 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 if the patient is eligible for charity care of financial assistance.

3.5.1.19 not use and will prohibit its assignee that is a subsidiary or affiliate from using, wage garnishments or liens on real property of patient/Guarantor to collect an unpaid Hospital bill with respect to a FAP eligible patient.

3.5.1.20 will maintain all records relating to money owed to the hospital by a patient/guarantor for five (5) years, including, but not limited to, documents related to litigation filed by the

hospital, a contract or related records related to assignment or sale of medical debt to a third party, and a list, updated annually, of debt collectors and litigators involved in collection activities on behalf of the hospital.

3.5.1.21 when seeking reimbursement for Emergency Physician services from the Maddy Fund, cease any further billing or collection activity for that patient. If no payment is made from the Maddy Fund, billing and collection may resume in accordance with this and other applicable Rady Children's policies.

4.0 RELATED POLICIES:

4.1 Financial Assistance Program, HPM 7-11
4.2 Hospital & ED Physician Fair Pricing, HPM 7-55

5.0 RESOURCES:

5.1 California AB 774 (2007), AB 1503 - (2010), SB 1276 – (2014), AB 1020 (2022), AB 532 (2022), SB 1061 (2024), AB 2297 (2024)
5.2 Hospital Fair Pricing Policies Law (Health & Safety Code §§127400-127446, 127452)
5.3 Title 22, California Code of Regulations, §§ 96005-96020, 96040-96050
5.4 https://hcai.ca.gov/HID/Products/Hospitals/Chrgmstr
5.5 Health & Safety Code §§ 1339.55, 1339.56, 1339.59, 1339.585, 1797.98c & 128770
5.6 Patient Protection and Affordable Care Act
5.7 Internal Revenue Code section 501(r)

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