**SUBJECT: BILLING AND COLLECTIONS**
**Salinas Valley Health Medical Center**
**POLICIES AND PROCEDURES MANUAL**
**Patient Financial Services**

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| EFFECTIVE DATE: 10/01/00 | ACCOUNTABILITY:<br>Patient Financial Services Department |
| REVIEWED AND APPROVED BY:<br><br>Charlotte Wayman, Director of Patient Financial Services and Patient Registration Departments | DATE OF LAST REVISION:<br>09/21/00,10/04/00, 02/05/02, 04/11/02, 03/24/04, 09/07/04, 02/01/05, 06/01/07, 06/25/13, 03/17/21, 01/01/22, 03/04/24, 05/08/24, 09/19/24, 08/26/25 |

## I. PURPOSE

The purpose of this policy is to (1) establish reasonable procedures regarding billing and collection of patient accounts in accordance with applicable federal and state laws; and (2) establish guidelines for assigning patient accounts to a bad debt status and, when appropriate, to be placed with an outside collection agency.

## II. POLICY

This policy applies to Salinas Valley Health Medical Center ("SVHMC" or the "hospital") and any outside agencies working on SVHMC's behalf that have the responsibility to bill patients and applicable third-party payers accurately, timely, fairly and consistently in accordance with all contractual obligations, laws and regulations. SVHMC will not threaten or treat patients or payers with disrespect or with an aggressive tone or behavior. SVHMC's collection practices shall not take into account age, gender, race, social or immigrant status, sexual orientation or religious affiliation.

SVHMC and its Collection Agencies, as defined below, will not use any of the documentation collected during the Financial Assistance Application process (including paystubs and income tax returns) in their collection activities.

## III. SCOPE

This policy applies to all Hospital inpatient and outpatient services in which SVHMC performs billing

## IV. DEFINITIONS

All terms not defined within this Billing and Collections Policy will be defined in accordance with California Health and Safety Code section 127400.

A. Collection Agency: a collection agency contracted by SVHMC, or other assignees not a subsidiary or affiliate of SVHMC that is attempting to collect unpaid bills for provided services.

B. Discount Payment: Discount Payment is defined as any charge for care that is reduced but not free for any emergency or medically necessary inpatient or outpatient hospital service provided to a patient who is uninsured or underinsured. The discount will be applied against the gross charges for hospital services provided.

C. Essential Living Expenses: 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 child care, child or spousal support, transportation and auto expenses, including insurance, gas, and repairs, installment payments, laundry and cleaning, and other extraordinary expenses.

D. Extraordinary Collection Actions (ECAs): Extraordinary Collection Actions means a collection action requiring a legal or judicial process, or deferring or denying, or requiring a payment before providing, medically necessary care because of an individual's nonpayment of one or more bills for previously provided care covered under SVHMC's Financial Assistance Policy. Some of these actions require legal or judicial process.

E. Family: Family is defined as:

   1. For persons 18 years of age and older, spouse, domestic partner, dependent children under 21 years of age, or any age if disabled, whether living at home or not, and

   2. For persons under 18 years of age or for a dependent child 18 to 20 years of age, parent, caretaker relatives, and other children under 21 years of age, or any age if disabled, of the parent or caretaker relative.

F. Family Income: Family Income is annual family earnings from the prior 12 months or prior tax year as shown by recent pay stubs or income tax returns, less payments made for alimony and child support. Proof of earnings may be

determined by annualizing year-to-date family income, giving consideration for current earning rates.

G. Financial Assistance: Discount Payment or Full Charity Care

H. Full Charity Care: Full Charity Care is defined as free care for any emergency or medically necessary inpatient or outpatient hospital service provided to a patient

I. Medical Debt: A debt owed by a consumer to SVHMC 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.

J. Medically Necessary Care: Services performed within the hospital are presumed to be medically necessary, unless the hospital provides an attestation by the referring provider or the supervising health care provider for the hospital services at issue that the services are not medically necessary. An attestation is considered valid if it is signed by the provider who referred the patient for the hospital services at issue in the complaint or the supervising heath care provider for the hospital services at issue in the complaint. The hospital shall obtain the required attestation before it may deny a patient eligibility for the Discount Payment program on the basis that the services at issue were not medically necessary.

K. Reasonable Payment Plan: A monthly payment that does not exceed 10% of the patient's Family Income for a month, excluding deductions for Essential Living Expenses.

## V. BILLING PROCEDURES & PRACTICES

### A. Billing Third-Party Payors

For all patients with health insurance, SVHMC will bill the third-party payer information as provided or verified by the patient on a timely basis.

If a third-party payer denies the claim due to SVHMC's error, SVHMC will not bill the patient for any amount in excess of that for which the patient would have been liable had the third-party payer paid the claim. However, if the third-party payer denies the claim due to factors outside of SVHMC's control, hospital staff will follow up with the third-party payer and patient as appropriate to facilitate a resolution to the claim. If a resolution cannot be reached, after reasonable follow-up efforts, SVHMC may bill the patient or take other actions consistent with current industry standards.

### B. Billing Insured Patients for Patient Responsibility

For all patients with health insurance, SVHMC will send the bill to the patient/responsible party in a timely basis after it receives payment from the payer.

### C. Billing Uninsured Patients

For uninsured patients, SVHMC shall promptly send the patient's bill for items and services provided to the patient.

### D. Third-party Reimbursement

The patient is required to pay SVHMC the entire amount of any reimbursement sent directly to the patient or guarantor by a third-party payer for the hospital services received. If the patient receives a legal settlement, judgment, or award under a liable third-party action that includes payment for health care services or medical care related to the injury, the patient or guarantor must reimburse SVHMC for the related health care services rendered up to the amount reasonably awarded for that purpose.

### E. Requesting Itemized Statement

All patients may request an itemized statement for their account at any time.

### F. Accessing the Financial Assistance Application and Information

SVHMC will provide a summary of its Financial Assistance Policy to all patients provided services at SVHMC. All billed patients will have the opportunity to contact SVHMC regarding Financial Assistance for their accounts. Financial Assistance may include Full Charity Care or Discount Payments.

SVHMC's Financial Assistance Policy and Application are available free of charge by visiting or contacting:

Salinas Valley Health Medical Center
Patient Financial Services Department, Financial Counselor
3 Rossi Circle, Suite C
Salinas, CA 93907

**Phone**: (831)755-0732

**Website**: https://www.salinasvalleyhealth.com/patients-visitors/for-patients/billing-insurance/help-paying-your-bill/

SVHMC and the collection agencies, debt buyers, or other assignees not a subsidiary or affiliate of SVHMC (the "Collection Agencies") shall not pursue collections from a patient: (1) who is attempting to qualify for Financial Assistance under SVHMC's Financial Assistance Policy and (2) is attempting in good faith to settle an outstanding bill by negotiating a Reasonable Payment Plan, as defined below, or by making regular partial payments of a reasonable amount.

If SVHMC determines the patient qualifies for Full Charity Care or Discount Payments, SVHMC will only use the patient's income information for determining eligibility and debt due. SVHMC will not use this information, or any other information obtained for the

purpose of determining Full Charity Care or Discount Payment eligibility, for collection activities. If the patient has already paid more than the amount due after the financial assistance determination, SVHMC shall refund the amount actually paid to SVHMC in excess of the amount due including interest at the rate provided in the Code of Civil Procedure Section 685.010 from the date of SVHMC's receipt of the overpayment.

### G. Extended Payment Plans

SVHMC and its Collection Agencies shall offer uninsured patients and insured patients with a patient responsibility portion the option to enter into an agreement to pay their patient responsibility portion and any other amounts due over time. SVHMC will also offer extended payment plans to those patients who indicate an inability to pay a patient responsibility amount in a single installment.

#### 1. Terms of Extended Payment Plans

The extended payment plan shall be negotiated between SVHMC Patient Financial Services and the patient and may take into consideration the patient's Family Income, Essential Living Expenses, and the availability of a health savings account help by the patient or patient's Family. All extended payment plans shall be interest-free.

If SVHMC and the patient cannot agree on the extended payment plan, the hospital shall create a Reasonable Payment Plan, which is defined as a monthly payment that does not exceed 10% of the patient's Family Income for a month, excluding deductions for Essential Living Expenses.

#### 2. Declaring an Extended Payment Plan Inoperative

SVHMC may declare an extended payment plan no longer operative after the patient fails to make all consecutive payments during a 90-day period. Before declaring the extended payment plan inoperative, SVHMC or its Collection Agencies will make a reasonable attempt to contact the patient by the last known telephone number and provide notice in writing with the last known address to notify the patient that the extended payment plan may become inoperative and provide an opportunity to renegotiate. SVHMC or the Collection Agencies acting on SVHMC's behalf will attempt to renegotiate the extended payment plan if requested by the patient.

After an extended payment plan is declared inoperative and over 180 days have passed since the initial billing of the patient, SVHMC or its Collection Agencies may commence Extraordinary Collection Actions (as defined below). SVHMC may place the patient's bill with a Collection Agency to pursue collections under the authority of the Director of Patient Financial Services, the Chief Financial Officer ("CFO") or his/her designee.

## VI. COLLECTION PRACTICES

### A. Reasonable Review Efforts - Timeline

Once the designated SVHMC Insurance Clerks have exhausted all avenues in collection efforts with the payer they will transfer the following, but not limited to, types of account balances to a SPAY (self-pay) status.

- Insurance Denied
- Insurance paid with remaining patient balance .i.e., co-insurance/deductible
- No insurance

Prior to any other collection activity for an account assigned to bad debt status, at least seven consecutive monthly statements will be sent to a patient on all self-pay balances asking the patient to pay in full or contact the Patient Financial Services department at 831-755-0732 for financial assistance. These statements shall include a plain language summary of the Financial Assistance Policy and shall inform the patient how to apply for financial assistance if needed. In between each statement, each patient will also receive letters from SVHMC regarding the patient's bill. The schedule of these statements will be, as follows:

| **Day** | **Action** |
|---|---|
| Day 1 | System generates statement. Mail Room will insert plain language summary document. |
| Day 30 | System sets reminder to the financial counselor to call the patient/guarantor at all available numbers when applicable. |
| Day 31 | System generates statement. Mail Room will insert plain language summary document |
| Day 61 | System generates statement. Mail Room will insert plain language summary document |
| Day 76 | System generates "No Response Letter." Mail Room will insert plain language summary document. |
| Day 91 | System generates statement. Mail Room will insert plain language summary document. System sets reminder to the financial counselor to call the patient/ guarantor at all available numbers when applicable. |
| Day 106 | System generates "Unsuccessful Attempt" letter<br><br>Mail Room will insert plain language summary document. |
| Day 121 | System generates statement. Mail Room will insert plain language summary document. |

| Day | Action |
|---|---|
| Day 136 | System generates “Multiple Attempts” Letter. System sets reminder to the financial counselor to call the patient/guarantor at all available numbers when applicable. Mail Room will insert plain language summary document |
| Day 151 | System generates statement. Mail Room will insert plain language summary document |
| Day 165 | System generates “Multiple Attempts” Letter. Mail Room will insert plain language summary document |
| Day 180 | System generates “Final Notice” Letter. Clerk Typist II will insert the Financial Assistance Policy. |
| Day 195 | System will automatically refer account to the outside collection agency for balances $25.01 to $25,000,00. Balances of $25,000.01 and greater are to be referred manually to the director/designee for review prior to referring to an outside collection agency. |

Only after SVHMC has made reasonable efforts to determine whether a patient qualifies for Financial Assistance under the Financial Assistance Policy, a SPAY account may be transferred to bad debt and be subject to the referral procedures set forth below. However, the timing of an account being transferred to bad debt will be extended to the extent that a patient has a pending appeal for the coverage of the services, until a final determination of that appeal is made, if the patient makes a reasonable effort to communicate with SVHMC about the progress of any pending appeals.

For a self-pay account to be transferred to bad debt and sent to a collection agency, the appropriate number of notifications will be made to the patient (at least seven consecutive statements), except in the case where a patient fails to comply with a payment plan with SVHMC, which is governed by section V.G.2. Any phone call attempts or contact with the patient/guarantor will be documented in the Electronic Health Record system (“System”). The following schedule should be used by the Financial Counselors to identify accounts with patient responsibility for bad debt status. The designated Financial Counselor should follow these guidelines to facilitate accounts being properly assigned to a collection agency.

### B. Assigning Bills to Collection Agency

After delivery of the seven consecutive statements to the patient, the designated Financial Counselor responsible for working SPAY (self-pay) accounts will utilize SVHMC’s System to identify accounts eligible for assignment to bad debt status as follows:

| Outstanding Bill Amount | Action/Authority |
|---|---|
| $25.00 and less | Outstanding balance will be written off |
| $25.01 - $25,000.00 | System will automatically refer a patient's bill to the Collection Agency under the authority of the PFS director or his/her designee |
| $25,000.01 - $150,000.00 | Requires additional review by the Financial Counselor before being sent to Collection Agency; sent to collection under the authority of the Director/Designee |
| $150,000.01-$300,000.00 | Referred to the CFO by the PFS director/designee for signature before being sent to Collection Agency under the authority of the CFO or his/her designee |
| $300.000.01 and greater | Referred to the CEO by the PFS director/designee before being sent to Collection Agency under the authority of the CEO or his/her designee |

In some cases, the Financial Counselor will determine whether there are unusual circumstances (e.g. if a patient's complaint remains under review) that should prevent the bill from being sent to collections. Under their recommendation, the bill will be held from being sent to collections.

### C. Coordination with Collection Agency

For contract accounts (Payment Arrangements), the Financial Counselor should review the patient account for current payment status. The patient accounts should be reviewed monthly to ensure the patient is compliant with monthly payment agreement.

If after the patient's bill is sent to the collection agency, SVHMC determines that the bill should be called back, SVHMC and the Collection Agency will work to ensure that patient bill is taken out of the Collection Agency's circulation. Collection Agency agrees to cooperate with SVHMC's collection procedures.

### D. Review of Medi-Cal Pending Accounts

For Medi-Cal pending accounts, the Financial Counselor should verify Medi-Cal eligibility and print out a Point of Service (POS).

- If total eligibility was identified, the Financial Counselor will forward account to the designated Insurance Clerk responsible for billing Medi-Cal.

- If POS indicates SOC (Share of Cost), the Financial Counselor must attempt to contact the patient/guarantor and/or send a SOC owing letter for payment on the share of cost amount.
- If there is no eligibility, money is moved to SPAY and collection efforts continue according to the collection stream on page 2.

### E. Review of Pending Accounts for Victims of Crime

For Victims of Crime pending accounts the Financial Counselors will notate on the account when the confirmation of application letter is received from The Monterey County office of The District Attorney and will forward the account to the Insurance Clerk to update the Insurance Mnemonic to victims of crime.

### F. Extraordinary Collection Actions

Notwithstanding anything to the contrary in this or any other policies that may be applicable, neither SVHMC nor any collection agencies with which the hospital contracts shall engage in any “Extraordinary Collection Actions” (“ECAs”) in the first 180 days after the first post discharge invoice is sent to a patient or at any other time after such 180 days period unless the hospital has used reasonable efforts as described in this policy to determine whether the patient is eligible for financial assistance under the hospital’s financial assistance policy.

In all cases where ECAs may be used, SVHMC or the Collection Agencies with which it contracts shall provide the patient with a written notice that indicates Financial Assistance may be available, and specify that the ECA that will be taken if the bill is not paid or if the individual does not apply for Financial Assistance. This notice shall also state the deadline to pay and that ECAs may be taken at least 30 days from the date of the letter. This 30 day written notice will be conducted by the Collection Agencies prior to any ECA action.

For this purpose, ECAs include:

- deferring or denying, or requiring a payment before providing, medically necessary care because of a patient’s non-payment of one or more bills for previously provided care covered under the hospital facility's Financial Assistance Policy;
- and actions that require a legal or judicial process, including but not limited to:(a) foreclosing on the patient’s real property; (b) attaching or seizing the patient’s bank account or any other personal property; (c) commencing a civil action against the patient; (d) causing the patient’s arrest; and (e) causing the patient to be subject to a writ of body attachment; but excluding the garnishment of a patient’s wages.

SVHMC does not use or employ wage garnishments or liens on real property.

SVHMC's unaffiliated Collection Agencies do not use or employ wage garnishments except as permitted by Health and Safety Code section 127425(h)(2)(A) or liens on real property, nor do they notice or conduct sales of real property owned, in part or completely, by the patient. Neither SVHMC nor its Collection Agencies report adverse information to a consumer credit reporting agency.

A claim filed by a hospital facility in any bankruptcy proceeding is not an ECA. Also, a lien placed on the proceeds of a judgment, settlement, or compromise owed to an individual (or his or her representative) as a result of personal injuries caused by a third party for which the hospital facility provided care is not an ECA.

## VII. ADDITIONAL ASSIGNMENT OF ACCOUNTS TO BAD DEBT

Allowable bad debts resulting from self-pay balances, non-collectible deductibles and co-insurance amounts must meet at least one of the following criteria:

- The debt must be related to covered services and derived from self-pay, deductible and co-insurance amounts.
- The provider must be able to establish that reasonable collection efforts (including appropriate documentation such as, but not limited to, UB04's, follow-up statements, and other personal contact information) from the date of the original patient statement.
- There are no available credit balances from related accounts.
- Sound business judgment and process established that there was no likelihood of recovery.

Distribution: Patient Financial Services
Originating Department: Patient Financial Services