



# MLK Community Healthcare

## POLICY and PROCEDURE

<b>Bad Debt Write Off</b>	<i>Policy Number:</i> FIN-1025
Finance	<i>Manual:</i> Administration
<i>Controller</i>	
<i>Chief Financial Officer</i>	<i>Originated:</i> 12/11/2018
<b>P&amp;P Review Schedule:</b> <input type="checkbox"/> Annual <input type="checkbox"/> Biennial <input checked="" type="checkbox"/> Triennial	<i>Reviewed/Revised:</i> 5/13/2022
	<i>Effective:</i> 5/13/2022

### I. PURPOSE

- A. The purpose of this policy is to establish a consistent methodology by which Self-Pay Accounts and Self-Pay Accounts after Insurance Pay are to be managed, once determination has been made that the account is non collectable and qualifies to be transferred to bad-debt.

### II. SCOPE / COVERAGE

- A. Is applicable to all Patient Accounts that are deemed uncollectable

### III. DEFINITIONS / ACRONYMS – N/A

### IV. BACKGROUND INFORMATION – N/A

### V. POLICY

- A. This policy is designed to establish a consistent methodology by which Self-Pay and Self-Pay after Insurances accounts are to be managed, after determination has been made that qualifies an account to be transferred to bad-debt assignment. Reasonable collection effort may include notification to the patient/guarantor by way of a statement/data mailer and/or telephone call.
- B. All Accounts that have been final billed and contain a patient responsibility debit balance; or true Self-Pay balance accounts that are deemed uncollectable or where the patient is unable to pay and does not qualify for any available financial assistance programs i.e. Medi-Cal, Charity etc. are eligible for bad-debt transfer. Only after reasonable collection efforts have made and the account has reached an account age of 120 days should an account be considered for bad-debt assignment.
- C. Reasonable collection effort may include notification to the patient/guarantor by way of a statement/data mailer and/or telephone call.

## VI. PROCEDURE

**A. Bad Debt Qualification Criteria** – An account may be referred to collection if it meets one or more of the following criteria:

1. Self-pay balance not paid within 120 days after bill date when all reasonable follow-up efforts have been exhausted.
2. Patient/Guarantor advises Navigant Cymetrix associate that they have no intention of paying the bill.
3. Patient communication via mail and/or phone is unsuccessful due to bad information.

NOTE: Bad debt adjustments require adequate system notes to demonstrate justification, reconciliation and an audit trail before referring self-pay accounts to collection agencies.

4. If a self-pay account that has been billed remains unpaid for over 120 days and all reasonable collection efforts have been exhausted, the account will be referred to bad debt. Reasonable collection efforts include:
  - a. Sending an initial self-pay bill for the balance and subsequent statements at 30-day intervals for 120 days from Self-Pay determination date.
  - b. Reviewing previous accounts in Metrix and/or Cerner systems to determine if a valid third-party payer exist for date of service in question.
  - c. Name search for Medicaid linkage via Electronic Medicaid Eligibility Verification System.
5. If an associate determines that an account should be referred immediately to collection, the user should raise the Metrix Expedite Bad Debt Flag for inclusion in the next bad-debt run.
6. Inpatient Medicare – There are 3 types of Medicare patient balances that can be classified as Medicare bad debt:
  - a. Co-insurance
  - b. Deductible
  - c. Life Time Reserve Days (LTR)

NOTE: As with all collection referrals, prior to classifying a Medicare account as Bad debt, associates must have attempted and clearly documented 3 prior collection efforts.

7. Pre-Bad Debt Account Selection (Metrix Criteria)
  - a. A query is run via Metrix to select account meeting the criteria below
    - 1) Accounts with balance > or = \$24.99
    - 2) Last statement in the series was sent AND Number of days since last statement is >=30
    - 3) The Account has a Bad Address Flag.
    - 4) Expedited Bad Debt Flag

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- 5) The Account Status = Payment Plan Default
- 6) Number of Days since Patient Payment Date  $\geq$  60
- 7) Account does not have an *active* Action Item
- b. Manager exports the list of accounts Pending Bad Debt from METRIX Flag Reports
  - 1) Review the accounts with the following approve threshold:
    - a) CFO \$100,001.00 and up
    - b) Revenue Cycle Director/AE \$10,001.00 - \$100,000.00
    - c) Operations Manager \$0-\$10,000.00
    - d) Forward to Revenue Cycle Director for final approval
    - e) Forward the list to Navigant IT to be scripted
- c. Frequency = Weekly/Wednesday
  - 1) Via Cerner, the account is assigned to collection agency vendor code (PMS) and statement hold is moved.
  - 2) The file is auto assigned with transaction code 3600 applied via account scripting. Total number of accounts and dollars are calculated.
  - 3) MLKCH IT is notified that the file is ready to be assigned to PMS.
8. Self-pay accounts are referred to Progressive Management Systems (PMS) 30 days after the final notification.
9. Progressive Management System (PMS) confirms receipt of file via email notification.

## VII. WORKPLACE SAFETY-N/A

## VIII. REFERENCES-N/A