SUBJECT: Billing and Collections Policy

Department Responsible: Finance
Related Department(s): Patient Accounts

PURPOSE:

To define procedures determining when a delinquent account for covered services is uncollectible when claimed as worthless and, based on sound business judgment, establish that there is no likelihood of recovery at any time in the future.

POLICY:

- All bad debt is treated the same regardless of payer.
- Three billing invoices and/or letters ("contacts") are mailed to the patient within 120 days after the balance is determined as "patient responsibility".
- 120 days or thereafter from the initial contact, if no funds are remitted, the account is submitted to an outside collection agency.
- Should the agency determine the debt to be uncollectible after 180 days, the account is written off as bad debt.

SCOPE:

Each patient's account balance must be thoroughly documented, reviewed and followed up in a timely manner until the account is satisfied, and/or adjusted to zero balance.

To ensure funding for hospitalization, each patient's healthcare coverage is verified and any estimated patient liability for deductibles and co-payments communicated prior to admission. In the case of emergency or evening/weekend admission, verification is completed the next working day. All patients sign a Financial Arrangement form (Exhibit 1) to acknowledge their understanding of their responsibility.

Subsequent to billing, a healthcare insurer may deny a claim due to a number of reasons, including coverage termination, benefit exhaustion, pre-existing conditions, or misrepresentation. The outstanding balance, therefore, becomes the patient's responsibility. Whether the outstanding balance results from a denial of benefits or from patient liabilities under their benefit plan, if a patient does not make payment on their outstanding account balance, after a series of three contacts, the account will be submitted to an outside agency no sooner than 120 days following initial patient contact.

DEFINITIONS AND/OR EQUIPMENT:

- Financial Arrangement Form Exhibit 1

RESPONSIBILITY:

- Patient Accounts Department - generate accurate patient statements and sustain patient billing cycle as described below. All final detail statements and three subsequent summary cycle patient contacts are logged and documented by date and amount on the computerized system indicating that an outstanding contact was communicated via mail to the patient. Maintain patient confidentiality by ensuring envelopes used in mailing invoices and/or letters do not use Eagleville Hospital's name. Monitor and maintain returned mail invoices and/or letters in their envelopes for undeliverable mailing address, seek possible alternate address(es) for mailing, and document in the system.

- Business Office Supervisor - review all accounts meeting delinquency criteria set forth below to determine collectibles, direct telephone contact, and account handling prior to submission to an outside collection

agency. Code account as being written off to bad debt. Recommend bad debt write-offs to the Director of Finance.

PROCEDURE:

1. Once the healthcare insurer(s) have processed the claim and sent written response on behalf of the patient, the remaining balance is analyzed and any required adjustments and/or contractual allowances are made to the account. The portion of the balance deemed due from the patient is transferred to the 'patient responsibility' category in the system.

2. A patient cycle invoicing program is run monthly for all account balances transferred to the 'patient responsibility' category. Within 30 days of the balance being categorized as 'patient responsibility' a summary invoice is sent to the patient. This invoice includes insurance and patient payments credited to the account.

3. Statements and cycle invoicing are sent to the patient's discharge address unless the patient was transferred for a short stay in another facility. In this case the patient's admission address is utilized. If mail is returned, address research is completed and corrections are made wherever possible to enable future billings to reach the patient. Those items deemed undeliverable will be marked on the account and the invoice/and or letter and envelope maintained.

4. Every month, the system will generate another cycle contact to be sent. Upon each mailing, the date of billing is logged in the Eagleville Hospital patient accounts system.

5. If there has been no payment or correspondence on the account after the detailed statement and third contact, a fourth and final contact will be given to the Billing Office Supervisor for review and assessment. Accounts with patient responsibility balances and no activity for 120 days will be submitted to an outside collection agency.

6. Upon return of unsatisfied accounts from an outside collection agency who conclude that all internal and external collection efforts by mail and telephone are exhausted, and based on sound business judgment, it has been established that there is no likelihood in the future for payment, the recommendation for bad debt write off is made to the Director of Finance.

7. Following approval by the Director of Finance, the Business Office Supervisor proceeds in adjusting off the balance and confirms that the correct bad debt write-off adjustment code was used to zero balance each account, thus removing it from the Accounts Receivable Aged Trial Balance.

APPROVED: _____ **DATE:** _____

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