

Document Title	Revenue Cycle: Bad Debt	Version	1
Approved By	Chief Operating Officer	Approval Date	03/07/2023
Reviewed By	Not Assigned	Reviewed Date	03/07/2023

“The policies, procedures and forms in the manual are intended as guidelines. It is recognized that situations can be unique. Personnel are expected to use established practice and sound judgment in making decisions during their daily activities.”

POLICY:

It is the policy of SMH/CVH Health that delinquent billed patient accounts (categorized as Self-Pay, or as patient responsibility due after insurance has paid in full) receive a series of statements and collection notices which may be accompanied by telephone ‘courtesy’ phone calls. Failure to respond, or to make a minimum negotiated payment, may cause the account to be considered for bad debt collection efforts and to be assigned to a bad debt collection agency.

Billing and Collection Efforts preceding Bad Debt Assignment. Based on hospital or clinic location of care, patients will receive two or three statements and one final notice letter from the SMH/CVH Health Billing Department or contracted Billing Service. Statements are generated on a defined mailing cycle initiated promptly following determination of payment responsibility. If the patient or guarantor does not satisfactorily respond to or work with the billing department, a final notice letter will be issued. This letter includes a written advisement that – to prevent the account from being assigned to a collection agency – the patient must promptly make payment or contact the department or billing service to discuss options.

1. Patient balances may be considered for Bad Debt classification and collections if all of the following apply:
 - a. The patient balance is not paid in full within the designated time frame.
 - b. At least three statements or collection notices have been mailed or issued to the patient or responsible party (guarantor),
 - c. The individual patient or guarantor account balance, or the ‘bundled’ billing service combined guarantor balance, exceeds SMH/CVH Small Balance threshold for collections.
 - d. The patient or responsible party has failed to make payments according to a previously agreed upon payment plan, or otherwise failed to meet financial commitments made to SMH/CVH during billing and initial collection efforts, and has either not contacted the billing department to offer a viable explanation and/or renegotiate terms. **see Mail Returns Section 4 for specific exception*
2. The account will be assigned to the appropriate contracted bad debt collection agency.
3. Patient accounts assigned to the bad debt collection agency follow documentation and communication requirements as agreed to, between SMH/CVH and the collection agency. When possible, such actions will follow automated processes through an interface between SMH/CVH billing systems (EMR) and the agency.
4. **Mail Returns.** Mail returns, from invalid, outdated, or missing mailing addresses, will often result in unsuccessful attempts to mail statements to the patient or responsible party. After reasonable diligence to locate a current, valid mailing address has been attempted and is not successful, escalation to Bad Debt status may take place within 60 days following determination of patient responsibility. This circumstance is understood to be an exception to Section 1.b of this policy. The Revenue Cycle Manager responsible for Self-Pay Billing must approve any bad debt escalation less than 120 days, to include a written approval signature and date.
5. **Aged Bad Debt assignments.** Accounts that have been assigned to a SMH/CVH contracted collection agency, and that have aged four years without receiving payment, will be returned to SMH/CVH. This includes accounts with negotiated payment plans, for which the patient or responsible party has defaulted without making payment.



- a. Within two business days after the account is returned, the balance will be adjusted to zero, using the appropriate adjustment transaction code.
- b. SMH/CVH will allow the agency to keep aged accounts that have been issued a judgment and/or for which the patient or responsible party is making payments.
- c. Four years will be calculated from the date the account was assigned to the bad debt collection agency from SMH/CVH.
- d. In compliance with CMS regulations covering Medicare Bad Debt recognition, the collection agency will also ensure that returned accounts are completely adjusted off and cleared from their records.
- e. The four-year time limit also applies to all SMH/CVH Clinic/Hospital locations. (On a case-by-case basis, and as approved by the Director of Revenue Cycle Operations or the CFO, the Collection Agency may request and obtain approval to extend the four-year limit.)

COMPLIANCE CRITERIA

List Departments affected by this document and which Committees approved this document (including your own service line committee).

Departments Affected	Approved by:	Date Approved