

# ADVENTIST HEALTH CARE, INC.

## PATIENT FINANCIAL SERVICES BAD DEBT WRITE OFF POLICY: AGENCY BAD DEBT COLLECTION POLICY

Effective Date: January, 1998 Cross

Referenced:

Reviewed: Stan Rice

Revised: 11/99, 7/01, 1/04, 4/07, 7/09, 1/14, 9/15

Policy No: 9140.5.003

Origin:

Authority: PFS

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### 1. PURPOSE:

- 1.1. To describe the internal AHC process prior to accounts going to Bad Debt and being assigned to Debt Collection agencies. Also to define the Criteria and Process, for closure of business with former Collection Agencies.
- 1.2. To establish Guidelines and Procedure for Contracted Agent(s) engaged in Debt Collection Practices on behalf of Adventist Healthcare Corporation.
- 1.3. To describe the process for auditing AHC Bad Debt Accounts being held by Collection Agencies.

### 2. POLICY:

- 2.1. Patient Accounting will seek to resolve all patient balances in accordance with established guidelines. All patients that have a "self-pay" balance will receive Statement Notices as follows:
  - 2.1.1. Statement #1 = Maryland Summary Statement, with Financial Assistance Notice on back.
  - 2.1.2. Statements # 2 – 4, Non-Medicare/Medicaid patients will receive a total of 3 additional statements, timed, every 20 days. Medicare/Medicaid patients will also receive a total of 3 additional statements, timed, every 30 days.
  - 2.1.3. Phone Calls - in addition to the statements, up to 2 calls will be made by internal Collection Staff, in an attempt to collect the debt. During the conversation with the Debtor, PFS Staff will mention the opportunity to have the bill reduced if the debtor qualifies for AHC – Financial Assistance; see AHC – Financial Policy # 3.19 for details.
  - 2.1.4. PFS reserves the right to contract with "Outsource Vendors" to serve as an extension of the Central Business Staff. Outsource Vendors will follow the same process as internal staff to inform the debtor of the Financial Assistance offered by AHC.
- 2.2. If the debt remains unpaid after the 4<sup>th</sup> statement, the account is referred to an External Collection Agency for collection except where management judges the cost to collect on an account to be extraordinary and in excess of the estimated collectability of the accounts. In circumstances where sending to an external agency will result in extraordinary costs, management will review the accounts in question and evaluate if the patient received a sufficient number of statements in order to deem the account as bad debt. Accounts are referred by alpha-split, with patients whose last names fall between A-L transferring to one agency while patients whose last names fall between M-Z transfer to another agency.

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- 2.3. Collection Agencies, hired to collect Consumer Debt on behalf of Adventist Healthcare Corp. must be licensed in the State of Maryland to engage in the practice of Debt Collection.

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- 2.4. Collection Agents will pursue debt collection while remaining compliant with State of Maryland and Federal Collection laws, in particular the Fair Debt Collections Practices Act and COMAR(Code of Maryland) Debt Collection Regulations.
  - 2.5. Where a debtor has affirmed a debt and has been given an opportunity to apply for AHC - Financial Assistance, and, has applied for and been granted assistance that reduced the outstanding balance but leaving an amount still owed to an AHC Facility ( see 3.1, 3.5 under Procedure ), or.
    - 2.5.1. Has not applied for assistance in the allotted time period.
    - 2.5.2. The Collection Agent should pursue collection of the balance using all legal remedies available; this could include filing suit for judgment.
  - 2.6. Judgment will be pursued on all outstanding balances greater than Five Hundred Dollars (\$500.00). Once obtained a judgment can be levied against any real and tangible asset except the following items:
    - 2.6.1. The permanent residence of the debtor
    - 2.6.2. Motor Vehicles used to transport the debtor or family members to their place of employment or places to receive medical treatment.
    - 2.6.3. AHC reserves the right to include or exclude items from this list at its discretion, and as allowed by State and Federal Collection Laws.
  - 2.7. The Collection Agent must request permission to pursue legal action in each instance where it is deemed to be the appropriate remedy for resolving the debt. All request for permission must be sent to the AHC - Office of the Regional-Director for Patient Financial Services. The permission document will be approved or denied and returned to the Agency.

### 3. PROCEDURE:

- 3.1. For existing Accounts the Collection Agency will receive “daily” notification to reduce the outstanding balance of any debtor who qualifies for AHC – Financial Assistance. . The Agency will send a letter to the Debtor, acknowledging the new balance within 15 days of the notice to adjust, received from the AHC Patient Financial Services Office
- 3.2. Upon receipt of new accounts, the Agency will notify the Debtor of the outstanding balance within 48 hours, via regular mail.

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- 3.3. The initial notification will inform the debtor of the 30 day period to refute the debt or receive additional clarifying information, as prescribed in collection law.
  - 3.4. Once the debtor affirms the debt, the agency will inform the debtor about the Hospital's Financial Assistance Policy, and ask if they had received information on how to make application, or the criteria for qualification.
  - 3.5. Where a debtor expresses a desire to make application for Financial Assistance, they will be referred to the Office of the AHC – Manager of Collections / Customer Service (301-315-3660). The Collection Agency will place the account on “hold” for 2 weeks to allow the debtor ample time to complete a Financial Assistance Application,
  - 3.6. Where the debtor has made application for financial Assistance, and been approved, the Agency will receive immediate notification from the Manager of Collections/Customer Service. Notification will include the amount of Debt Reduction the Debtor qualified for. The Manager of Collections/Customer Service will adjust the Debtor's balance on the AHC Books.
  - 3.7. At the end of the month, the collection agency will submit a payment report to the CBO, and the CBO will post those collections to the patient account, which will reduce the amount due from the patient's account. Agency Fees are not charged to the Debtors outstanding balance.
  - 3.8. The agency will pursue any balance that remains.

#### 4. AUDITING – NEW, ESTABLISHED AGENCIES

- 4.1. The Regional Director of PFS will conduct semi-annual audits of each Collection Agency's Outstanding Inventory.
- 4.2. A detailed patient listing will be generated from the Patient Accounting System, by Entity, by agency. On that date, the agency will also generate a detailed patient listing from their Collection System. The Regional Director, or designee, will meet onsite at the agency location and reconcile the two listings. Once balances have been reconciled to each list, individual balances will be reconciled to the Agencies Collection System. The reconciliation will be scheduled to occur less than two weeks from the date the list was created.

#### 5. AUDITING – TERMINATING AGENCIES

- 5.1. As we finalize our termination process with former agencies a complete reconciliation will occur with each one. Completion of this process is planned to occur by the end of six months from the Termination Date. The former agencies will be notified to close

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and return all outstanding Receivables by a date set by the PFS - Regional Director.  
There will be a final reconciliation, and these accounts will be sent as a 2<sup>nd</sup> placement to  
our new agency(s) according to the current practice.